The Journal of

SOCIAL AND POLITICAL STUDIES

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MARXIST-LENINIST THEORY AND THE THIRD WORLD

By Clifford A. Kiracofe, Jr.

Basing his outlook on the writings of Marx, Engels, Hobson, and Hilferding, Lenin developed marxism into a dynamic geopolitical strategy for the conversion by revolution of the peoples of the world to the materialist-atheist socialist mode.(1) Under the rule of the "prolaterian dictatorship" led by the Communist Party, as the vanguard of the proletariat," Lenin argued that the future would develop in accordance with the tenets of scientific socialism, i.e., marxist-leninism. He held that capitalism had entered its final "imperialist" phase, which created a global competition for natural resources, cheap labor, and markets. (2)

The chief "contradictions" of the "imperalist" epoch were seen by Lenin to be (a) those between capital and labor; (b) those between competing "monopolies" (industrial cartels and finance capital) and between capitalist states over resources and markets; and (c) those between capitalist states and colonial, and semi-colonial, areas. Lenin's methodology, following that of Marx, was to attack the aggressive nature of what he called "state monopoly finance" and to avoid the issue of debt finance of governments themselves.

When the larger international banks and industrial trusts ("finance capital") invested their "surplus funds" abroad, and the governments of the countries in which the banks were based were brought in to support these investments, Lenin described this as "state monopoly capitalism." In his view, governments come into conflict as a result of international competition between their respective sponsored monopolies and trusts. Lenin admitted that capitalist production increased wealth, but then argued that it also clouds the "consciousness" of the proletariat as to "real" conditions. He rationalized the attack on the social structure, or "mode," of production rather than production itself. The fact that the success of capitalism, as evidenced by the "super profits" which Lenin attacks, is based on the institution of private property and freedom of initiative is ignored and obscured by sophistry.

Lenin argued that the task of Communists was to create

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"international class warfare" under the allegiance to "proletarian internationalism." This is a strategic doctrine which aims at defeating "imperialism" in the metropole by first attacking it in the colonial areas. Communist parties, organized internally on the basis of "democratic centralism," would carry out this work through organizations created and administered by Communists. For Lenin, it followed that to defeat "imperialism" it was necessary to deny the West natural resources, colonial labor (and military recruits), and markets. The term "anti-imperialist struggle" was used for this geopolitical objective and strategy.

Other Early Bolshevik Thought On The Colonial Question

The writings and political activity of Mikhail P. Pavlovich (the pseudonym of Mikhail Lazarovich Weltmann) are of great importance in terms of the colonial policy of the Soviet Union. (3) As early as 1913, Pavlovich wrote a book entitled *The Great Railroad and Maritime Routes of the Future* in which he assessed the geostrategic importance of rail and sea lines of communication in colonial rivalry. (4) As an intimate of Lenin, it would not be surprising that Pavlovich's concepts had an influence on Lenin's own viewpoint and, indeed, in Lenin's *Imperialism* written three years later, for example, one finds specific attention directed to the significance of railroads in colonial areas. Pavlovich next wrote a volume entitled *The World and the Struggle for the Division of the Black Continent* (1918) and a year later wrote a work on French "imperialism."(5) The former work ascribed the outbreak of the World War to German imperial designs in Africa which other European powers could not tolerate. Interestingly, no mention appears to have been made to the "Hamburg to Baghdad" design.

Until his death in 1926, Pavlovich was intensely active in publishing influential books and articles on global politics in general and Africa in particular. (6) He served as a member of the Commissariat of Nationalities (which Stalin headed), as an advisor to the Commissariat of Foreign Affairs, as Chairman of the All-Russian Association of Eastern Studies, and as an editor of the important journal *Novyi Vostok* (*The New East*). The Eastern Studies Association was founded through the efforts of Pavlovich and at the request of Lenin with the objective of developing "the study of national revolutionary movements in the black and yellow continents and in the countries of South

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America." (7) It organized study groups on the Red Army, founded the Institute of Eastern Studies and published *Novyi Vostok*. Out of its activities also grew the Institute of Spoken Eastern Languages and the Committee of Peoples of the North. An indication of the respect Pavlovich holds in current Soviet circles followed the Twentieth Party Congress of the CPSU (1956) when Pavlovich was deemed the pioneer of Soviet thought on the Eastern Question.

As head of the Commissariat of Nationalities, Stalin was aware of Pavlovich's views and Stalin's own article "Don't Forget the East" (November 24, 1918) reflects his deep interest in colonial areas. (8) In this article, Stalin develops the geo-strategic theme that the "imperialists have always looked upon the East as the basis of their prosperity . . . (without which) . . . imperialism's far rear would not be secure." (9) Stalin goes on to state that "imperialism" needs not only the raw materials of the East but also the "obedient manpower which abounds in the colonies and semi-colonies of the East" for "cheap labor" and for "troops." Stalin concludes that it

> is the task of communism to break the agelong sleep of the oppressed peoples of the East, to infect the workers and peasants of these countries with the emancipating spirit of revolution to rouse them to fight imperialism and then deprive imperialism of its 'most reliable' rear and 'inexhaustible' reserve. (10)

Stalin concludes that without "this, the definite triumph of socialism, complete victory over imperialism is unthinkable . . ." (11)

Stalin developed this view further in a speech he gave at Sverdlov University in April 1924 as part of a lecture series on "Foundations of Leninism." (12) He dismissed as "anti-revolutionary" the view that "the victory of the proletariat of Europe was possible without a direct alliance with the liberation movements in the colonies." (13) Instead, he affirmed that "the road to victory of the revolution in the West lies through the revolutionary alliance with the liberation movements of the colonies and dependent countries against imperialism." (14) Stalin pointed out that, "Leninism . . . recognizes the existence of revolutionary capacities in the national liberation movement of oppressed countries, and the possibility of using these for overthrowing . . . imperialism." (15) To accomplish this it was a "necessity for the proletariat of the 'dominant' nations to sup-

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port – resolutely and actively to support – the national liberation movement" in the colonies. (16) Stalin was quick to emphasize, however, that "the proletariat must [not] support every national liberation movement" but only those "as tend to weaken, to overthrow imperialism, and not to strengthen and preserve it." (17)

Stalin's statement, of course, closely corresponded to Lenin's thinking on the subject as revealed, for example, in his report to the Second All-Russian Congress of the Communist Organizations of the Eastern Peoples held in November 1919. (18) Lenin then stated that, "It goes without saying that only the proletariat of all the world's advanced countries can win final victory." (19) However, Lenin continued stating that "they cannot triumph without the help of the toiling masses of all the oppressed colonial peoples." (20)

Comintern Doctrine And Policy

An analysis of Comintern doctrine and policy is essential to the understanding of Soviet African policy because the Comintern, headquartered in Moscow, functioned as an instrument of Soviet policy. Particularly noteworthy is the consistency of the basic doctrinal formulations and the development of the tactics and the organizational instruments of policy.

At the First Congress of the Communist International (Comintern) (March 1919), held like all Comintern Congresses at Moscow, attention was given to the colonial situation in the *Platform of the Communist International* drafted by Bukharin. (21) The World War was ascribed to the European rivalry over the colonies and the consequence of the war was stated to be that "the imperialist system is breaking down." There was "ferment in the colonies [and] ferment among the former dependent small nations . . ."(22) Concern was expressed over the use of colonial troops "to strangle the revolution of the European proletariat." (23) Trotsky produced a document entitled *Manifesto of the Communist International to the Proletariat of the Entire World.*"(24) He took the position that the World War had been "not least a war for colonies" and that "colonial populations were drawn into the European War on an unprecedented scale" as troops. (25) He also noted the "series of open insurrections [and] revolutionary ferment in all the colonies." (26) Trotsky concluded that the "the emancipation of

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the colonies was possible only in cooperation with the emancipation of the metropolitan working class" and that this would occur only after the successful seizure of power by Communists in Europe. (27) Following this event, "socialist Europe will come to the aid of liberated colonies." (28) As noted earlier, Lenin commented more explicitly on the relationship of the national liberation of the colonies to the success of world revolution in November 1919.

Bukharin, for his part, declared at the Eighth Congress of the Russian Communist Party that nothing was lost if "we propounded the solution of the right of self-determination for the colonies." (29) Indeed, "we gain" because the national movements are "only water for our mill, since . . . [they] contribute to the destruction of English imperialism." (30)

Second Comintern Congress

Lenin drafted the *Theses on the National and Colonial Questions* which were adopted by the Second Congress of the Comintern (July 1920). Thesis 6 was perhaps the most specific statement of Soviet policy at the time and declared that "our policy must be to bring into being a close alliance of all national and colonial liberation movements with Soviet Russia." (31) In terms of tactics,

> the forms taken by this alliance will be determined by the stage of development reached by the communist movement among the proletariat of each country or by the revolutionary liberation movement in the undeveloped countries and among the backward countries. (37)

Thesis 11 gave further revolutionary guidance:

a. All Communist parties must support by action the revolutionary liberation movements in these countries. The form which this support shall take should be discussed with the communist party of the country in question, if there is one. This obligation refers in the first place to the active support of the workers in that country on which the backward national is financially, or as a colony, dependent.

d. It is particularly important to support the peasant movement in the backward countries . . . Above all, efforts must be made to give the peasant movement as revolutionary a character as possible, organizing the peasants

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and all the exploited wherever possible in soviets, and thus establish as close a tie as possible between the West European communist proletariat and the revolutionary peasant movement in the East, in the colonies, and backward countries.

e. . . . The Communist International has the duty of supporting the revolutionary movement in the colonies and backward countries only with the object of rallying the constituent elements of the future proletarian parties — which will truly be communist . . . The Communist International should collaborate provisionally with the revolutionary movement of the colonies and backward countries, and may even form an alliance with it, but it must not amalgamate with it; it must unconditionally maintain the independence of the proletarian movement . . . (33)

Lenin asked the Congress to complete his *Theses* and specifically included the "Negroes of America" as a topic for study. During the proceedings, John Reed the American delegate introduced the discussion. (34)

It is significant that Lenin's draft of the *Conditions of Admission to the Communist International*, approved on August 6, 1920, contained the following requirement

8. A particularly explicit and clear attitude on the question of the colonies and the oppressed peoples is necessary for the parties in those countries where the bourgeoisie possess colonies . . . Every party which wishes to join the Communist International is obliged to expose the tricks and dodges of 'its' imperialists in the colonies, to support every colonial liberation movement not merely in words but in deeds, to demand the expulsion of their own imperialists from these colonies, to inculcate among the workers of their country a genuinely fraternal attitude to the working people of the colonies and the oppressed nations, and to carry on systematic agitation among the troops of their country against any oppression of the colonial peoples. (35)

The Second Congress of the Communist International, it is clear, laid down the fundamental line on the colonial question which has since changed to no significant degree and which has been consistently pursued by international Communism to this day.

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Baku Congress

The "First Congress of the Peoples of the East" (September 1920) followed on the heels of the Second Comintern Congress and was a forerunner of the Soviet-sponsored "Afro-Asian Peoples Solidarity Conferences." Organized by the Comintern, Pavlovich played a dynamic role in the arranging of the conference and was a member of the Comintern delegation. For him, "even on the African shores the mole of revolution would do his work and neatly burrow the soil from beneath the feet of capitalism." (36)

An outgrowth of the Congress was the very short-lived "Council of Propaganda and Action of the Peoples of the East." Its journal published only one issue before the Council was dissolved by Stalin. One very important institution did arise out of the heightened attention to the East which the Congress aroused. This was the Communist university of the Toilers of the East (KUTVU) established at Baku in 1921 for the indoctrination and training of student revolutionaries from "the East." (37)

Third Comintern Congress

The Third Comintern Congress (May 1921) did not make any extensive contributions to doctrine on the Colonial Question, but it did establish an "Eastern Commission" to formulate policy on the Negro Question. David Jones, founder of the Communist Party of South Africa (CPSA) played a role in bringing the Comintern's attention to the role South African communists could play for the strategic penetration of sub-Saharan Africa. (38) The stage was thus set for a more comprehensive treatment of the Negro question during the 4th Comintern Congress in 1922.

The Congress did adopt specific doctrinal guidance on the colonial question in the form of the *Theses on Tactics* which assessed the nature of the "current epoch" in Thesis 3 entitled, "Towards new struggle." This section notes that "world revolution . . . will require a fairly long period of revolutionary struggle" in which the "epoch of imperialism would develop into the epoch of social revolution." (39) This latter epoch is then defined as "a long series of civil wars in various capitalist states, and of wars between capitalist states on one side and proletariate states and the exploited colonial peoples on the other." (40)

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The "world revolution," therefore, "is not an undeviating process advancing along a straight line; it is a period of chronic capitalist decay" and "the continuous revolutionary sapping comes at times to a head in an acute crisis." (41)

Specific insturctions were given to the French Communist Party (CPF) in Thesis 10 which refers to the "presence of black troops in France" which "provides the French party with the opportunity of approaching these colonial slaves" with the opportunity of propagandizing them and "of rallying them to the struggle against the colonial regime, and through them getting into touch with the people of the French colonies," (42)

Fourth Comintern Congress

Three key documents emanated from the Fourth Comintern Congress (November-December 1922) which give specific guidance for revolutionary activity in the less developed areas. The *Theses on the Eastern Question* began by noting the intensification since the Second Comintern Congress of the "protracted struggle between imperialism and the proletarian dictatorship." (43) In the section on the "agrarian question" the document declared that "the Communist International supports every national revolutionary movement against imperialism" and maintained that the "revolutionary movement in the backward areas of the East cannot be successful unless it relies on the action of the broad peasant masses." All revolutionary parties were ordered to

> . . . to draw the peasant masses into active participation in the struggle for national liberation they must conduct propaganda for a radical change in the legal basis of land ownership, and it is also necessary to compel the bourgeois-nationalist parties to adopt as much as possible of this revolutionary agrarian program. (45)

Under the section on "The General Tasks of Communist Parties of the East" the following was ordered in the context of Leninist view of the two stage revolutionary process:

> The communist workers parties of the colonial and semi-colonial countries have a dual task: they fight for the most radical possible solution of the tasks of bourgeois-democratic revolution, which aims at the conquest of political independence; and they organize the working and peasant masses for the struggle for their special class

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> interests, and in doing so exploit all the contradictions in the nationalist bourgeois-democratic camp. (46)

More specifically,

> the communist parties of the colonial and semi-colonial countries . . . must take part in every movement which gives them access to the masses . . . [and] must make every effort to organize the numerous laborers and apprentices of both sexes . . . (47)

In terms of the "united anti-imperialist front" activity, the *Theses* note the critical importance of the workers movement becoming a "politically independent factor" in the front as a whole as the first step. From this position, it can then "form temporary agreements with bourgeois democracy" and can "put forward partial demands . . . insofar as the existing relations of forces does not allow it to make the realization of its Soviet program the immediate task." (48) Furthermore, the workers movement is to "put forward slogans which promote the creation of political ties between the peasant and semi-proletarian masses and the industrial workers movement." (49) But above all, it is "one of the most important functions of the united front tactic to make clear to the broad working masses the necessity of an alliance with the international proletariat and the Soviet republics." (50) This is required because the "colonial revolution can triumph and maintain its conquests only side by side with the proletarian revolution of the advanced countries." (51)

This latter point is then developed as follows:

> The demand for a close alliance with the proletarian Soviet republic is the device of the anti-imperialist united front. In addition to putting forward this slogan, the most resolute struggle must be waged for the broadest possible democratization of the political system, in order to deprive the most politically and socially reactionary elements of their support in the country . . . (52)

The duties of the metropolitan Communist parties with regard to colonial revolution were more specifically stated than had been the case at the Second Comintern Congress. Section VIII of the document was designated "The Colonial Tasks of the Metropolitan Parties." The strategic importance of the colonial revolution was noted at the outset by stating that the "extreme importance of the colonial revolutionary movements for

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the international proletarian revolution makes it necessary to intensify work in the colonies." (53) This was to be done "in the first place" by the metropolitan Communist parties and the following was required:

> Every communist party of the countries possessing colonies must take over the task of organizing systematic moral and material assistance for the proletarian and revolutionary movement in the colonies. (54)

As for the role of the Communist International, it could be of assistance "primarily by helping to found a local press and by the publication of periodicals and newspapers in the local language." (55) Needless to say Comintern would furnish other material assistance such as finance, agents and training which was not publicly stated in official documents for obvious reasons. The *Theses* then concluded stating that, "Particular attention must be paid to work among the European workers organizations and occupation troops in the colonies." (56)

The Fourth Comintern Congress provided further guidance for the revolutionary process in the colonies in the "Agrarian Action Program" contained in the *Directives on the Application of the Agrarian Theses Passed by the Second Congress*. The guidance is significant and will be quoted in detail.

> . . . (The Communist party must) accelerates this separation of the poor peasants from the leadership of the landowners and large peasants . . . (57)
>
> In the colonial countries with an oppressed native population, the national liberation movement is composed either of the entire population, as for example in Turkey, in which case the struggle of the oppressed peasantry against the landlords inevitably begins after the victory of the liberation struggle; or the feudal landlords are allied with the imperialist robbers, and in these countries, for example India, the social struggle of the oppressed peasants takes place at the same time as the struggle for national liberation. (58)

As noted earlier, the South African delegation to the Third Comintern Congress proposed in the final session that the Executive Committee consider the "Negro Question." The theses which emerged from this contain highly revealing passages as to the geostrategic nature of the question. The document states flatly that the "penetration and intensive colonization of the

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areas inhabited by the black races is the last great problem on the solution of which the further development of capitalism itself depends." (59) The document then continues with an analysis of French imperialism in Africa which, it contends, depended upon the successful realization of the trans-Saharan railroad project. This section appears to be drawn directly out of Pavlovich's books noted earlier. The strategic relevance of the "Negro Question" is explicitly stated in that the "Communist International . . . considers the collaboration of our oppressed black fellow beings absolutely essential for the proletariat revolution and the destruction of capitalist power." (60) In light of this, the document continues stating that "The Fourth Congress declares it the special duty of Communists to apply the *Theses On The Colonial Question* to the Negro problem also and to support "every form of the Negro movement which undermines or weakens capitalism, or hampers its further penetration." (61)

Fifth Comintern Congress

Preparing the way for the colonial question's consideration at the Fifth Comintern Congress (June-July 1924) were the important speech "On the National Question" given by Stalin at Sverdlov University in April 1924 and the published report of the Executive Committee of the Communist International (ECCI) entitled *From the Fourth to the Fifth World Congress*, Stalin was explicit and based himself on the doctrine of Lenin.

> Leninism . . . broke down the wall between whites and blacks, between Europeans and Asiatics . . . and linked the national question with the question of the colonies. The national question was thereby transformed from a particular and internal state problem into a general and international problem, into a world problem of emancipating the oppressed peoples in the dependent countries and colonies from the yoke of imperialism.
>
> Leninism . . . recognized the existence of revolutionary capacities in the national liberation movement of the oppressed countries, and the possibility of using these for overthrowing the common enemy, for overthrowing imperialism . . . Hence the necessity for the proletariat of the 'dominant' nations to support — resolutely and actively to support — the national liberation movement of the

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oppressed and dependent peoples. (62)

The ECCI report ran to 122 pages and discusses the activities of the sections of the Comintern (the national Communist Parties), the international conferences sponsored by Comintern, the international organizations created by Comintern, and the apparatus of the Executive Committee. (63) It noted that the preceding year, 1923, activities of the ECCI "Eastern Department" as well as discussed the formation of a "Peasant International" which Comintern would materially assist. Particularly noteworthy was the assessment of the international situation presented in the Introduction. The key sentence reads,

> Under the protection of the Soviet Republic, which is forcing itself like a wedge into the international system of the capitalist states and draining them of their strength, the fight for the people of the East is beginning. (64)

The discussion of the Soviet Russian parties activities noted the recent recognition of the Soviet government by Great Britain, Italy and others stating that this

> circumstance essentially changed the international position of our country, and we are entering a new phase in our relations with capitalist states which imposes new obligations on our Party and alters its tactics in international questions. (65)

As an adjunct to activity, the report noted that one of the "present tasks" of the Young Communist International was to encourage the "revolutionary Young Communist movement in the colonies." (66)

Following the report of the ECCI to the Fifth Congress, a Resolution was adopted which directed attention to the Colonial Question. It noted that the "foundation of the Peasant International, which has turned out to be a most important step, was carried through with the active cooperation of the Executive" and that the "elaboration of an independent communist agrarian policy will in the immediate future be one of the most important tasks of practically all sections." (67) It is interesting to note that Ho Chih Minh was a member of the Secretariat of this organization.

Comintern's task, according to the document, was "to win the revolutionary movements of liberation, among the colonial peoples and all the Eastern peoples, as allies of the revolutionary proletariat of the capitalist countries." This was to pro-

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ceed on two tracks: direct Comintern contacts, and contacts through the European metropolitan parties.

> This requires not only the further development of direct links between the Executive and the national liberation movements of the East, but also closer contacts between the sections in the imperialist countries, and above all an unceasing and relentless struggle in every country against the imperialist colonial policy of the bourgeoisie. (68)

In the important *Theses on Tactics* adopted by the Fifth Comintern Congress, united front tactics were defined as "a method of revolution, not of peaceful evolution" and as such they were to be considered "a revolutionary strategic maneuver of the communist vanguard." (69) In terms of the "East" it was emphasized that "far greater attention than before must be paid to work in the East, using the word in the broadest sense" because "in all these countries a widespread economic struggle is opening to which the Comintern must give the utmost attention" and it "must also give all-round support to the anti-imperialist movement of all oppressed nationalities." (70) During the course of the Congress, D.Z. Munuilsky, President of the ECCI Commission on the National and Colonial Questions, sharply criticized the British and French Communist Parties for not doing enough to support the colonial revolution. (71)

During the Congress, three committees were established to deal with the National, Eastern and Colonial, and the Negro Questions. The first was addressed to Russia, Poland, Czechoslovakia and the Balkans and was composed of Munilsky (USSR), Walecky (Poland), and Boshkovitch (Yugoslavia). The second committee was composed of Roy (India), Katayama (Japan) and Ching (China). The Negro Question was handled by Dunne (USA) and Ferand (France). The ECCI, after the Congress, established a "Negro Propaganda Commission" which had representatives from the Communist parties of France, Belgium, Great Britain, and the ECCI and reportedly received ten million gold francs from the Kremlin to support revolution in Africa. (72)

Fifth Plenum ECCI

The Fifth Plenum of the ECCI (March-April 1925) met to establish tactical and strategic guidelines for the months which would follow. The Colonial Question was dealt with by estab-

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lishing a committee on colonies composed of the Communist Parties of Great Britain, France, Russia, Italy, USA, Canada, India, Java, Mexico, Germany, Holland, and Spain. The permanent Eastern Bureau of Comintern was represented by two Russians. Zinoviev opened the conference with a lengthy speech in which he underscored the strategic value of the "East" for world revolution. (73) Praising Lenin he stated that he

> paid great attention to the East during the last years of his life. He saw very clearly that the great reserve force of revolution is approaching from the east, and that the revolution would perhaps change its route; that it would perhaps enter through another door. (74)

Sixth Plenum ECCI

In assessing the international situation, the Sixth Plenum of the ECCI (March 1926) noted in its *Theses on the Current Questions of the International Communist Movement* that the "rise of the national liberation movement and the gradual strengthening of the labor movement in the East are new factors of utmost significance." (75) It was "the duty of the Communist International to give all support to workers organizations in the East and to draw them into the international proletarian struggle." (76)

The ECCI, therefore, was beginning to emphasize the role of trade union organizations in promoting revolution in these areas. In the *Theses on the Tasks of Communists in the Trade Union Movement* an entire section was devoted to the colonial areas. Opening with the declaration that the trade union movement has "become an organized force and has begun to play a large part in the national liberation struggle" the *Theses* laid down specific instructions to communist parties. (77)

> In relation to the union movement in the colonial and semi-colonial countries the communist parties have three tasks: (1) to establish a permanent link with the labor movement in all countries, in particular the link between the metropolitan country and the colony; (2) to give complete, unreserved, and all-round support to the labor movement and; (3) *in those countries, such as France, where workers from colonies come to work, to admit them to the unions and to conduct cultural and educational work among them in order to train them as militants in the fight. . .* (78) (emphasis added)

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Brussels Conference

Willy Munzenberg, a leading Comintern agent and head of the German Communist Party (KPD), organized the "League Against Colonial Oppression" in 1926 in Germany. (79) While directed at first against German revanchism, it soon broadened its scope to include all of the colonial world. (80) The League then invited revolutionary nationalist groups from these areas to attend a "World Anti-Colonial Conference" to be held in Brussels, February 1927. According to Munzenberg, the Comintern objective was to "establish an effective liaison between the socialist organizations of the different countries and the national liberation movement. (82)

The Brussels meeting included such notable figures as Nehru, Madame Sun Yat Sen, Ho Chih Minh, and Lamine Senghor. While not all participants were Communists, the conference was under Comintern control and large delegations were from Comintern and from Russian Trade Union organizations. (84) The Conference issued a manifesto, *Against Imperialism: For National Liberation*, and the *Resolution on the Negro Question*. The resolution also included a recommendation to "organize movements for Negro liberation." (85)

An important organization grew out of the Conference which would actively support revolution in the colonial world throughout the 1930s. Called the "League Against Imperialism and For Colonial Independence (LAI)" it was headquartered at Berlin and developed an extensive international apparatus including branches in Latin America, India, and North Africa. (86) According to Munzenberg, the Brussels Conference "has had a powerful echo in the colonial and semi-colonial countries – a repercussion which no other movement has ever had since the founding of the Communist International." (87) This statement is particularly significant in light of the fact that Munzenberg was the founder of the Communist Youth International and had been very close to Lenin since his days in Switzerland. (88)

Sixth Comintern Congress

The Sixth Comintern Congress (July-September 1928) provided the most comprehensive analysis and doctrinal guidance to the international Communist movement of all the seven Congresses. In the *Program of the Communist International*

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Adopted at Its Sixth Congress, extensive attention was directed to revolution in the colonial and semi-colonial areas. Analyzing the nature of the revolution in Africa the section entitled "The Struggle for the World Proletarian Dictatorship and the Principle Types of Revolution" noted the possibility of by-passing the capitalist stage and moving directly into "the road to socialism."

> In still more backward countries (for example in parts of Africa) where there are virtually no industrial wage earners, where the majority of the population live in tribal conditions . . . in these countries the struggle for national liberation is the central task. *Here the victorious national uprisings may open the road to socialism while by-passing the capitalist stage* . . . (89) (emphasis added)

Needless to say, the 'proletarian dictatorship' abovementioned refers to the Soviet Union and the conclusion is that colonial revolution will not succeed without Soviet aid.

More specific strategic and tactical guidance is provided in the section entitled "The struggle for the World Proletarian Dictatorship and Colonial Revolutions." The enumerated eight "specific tasks" which must be mastered before the "general tasks" are as follows:

1. The overthrow of foreign imperialism, of feudalism, and of the landlord bureaucracy.
2. Establishment of the democratic dictatorship of the proletariat and peasantry on the basis of Soviets.
3. Complete national independence and political unification.
4. Cancellation of state debts.
5. Nationalization of large undertakings (in industry, transport, banking, etc.) belonging to the imperialists.
6. Expropriation of large landowners, of church and monastry estates, nationalization of all land.
7. Introduction of the eight hour day.
8. Establishment of a revolutionary workers' and peasants' army. (90)

The revolutionary process follows the Leninist principle of the two stage revolution: the bourgeois-democratic and then the proletarian.

> As the struggle continues to develop and become more acute . . . the bourgeois-democratic revolution, consis-

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> tently pursued, will be transformed into the proletarian revolution in those colonies and semi-colonies where the proletariat acts as leader and exercises hegemony over the movement. In colonies without a proletariat the overthrow of imperialist power must be accompanied by the organization of a popular (peasant) Soviet regime, the confiscation of businesses and land owned by foreigners, and the transfer of this property to the state. (91)

The relationship of the colonial revolution to the world-wide Communist revolution and its significance is expressed clearly in the following paragraph.

> Colonial revolutions and national liberation movements play an extremely important part in the struggle against imperialism and the conquest of power by the working class. In the transition period colonies and semi-colonies are also important because they represent the village on a world scale vis-à-vis the industrial countries, which represent the town in the context of the world economy. Hence, the problem of organizing a socialist world economy . . . (92)

The strategic nature of the economic relationship between "liberated" colonies and the "industrial centers of socialism" is part of the "proletarian dictatorship's" order of battle against the West and is treated in detail in the paragraph following the above. As the process of "decolonialization" intensified following World War II, the relevance of this passage gained increasing weight and propelled the "pioneering" thought of Pavlovich into concrete action:

> The course of the world revolution drives the workers of the imperialist states into the fight for the proletarian dictatorship, and at the same time rouses hundreds of millions of colonial workers and peasants to the struggle against foreign imperialism. Once centers of socialism exist, in the form of Socialist Soviet republics with steadily growing economic power, the colonies which have broken away from imperialism draw nearer, economically, to the industrial centers of world socialism and gradually unite with them. Drawn in this way into the path of socialist construction and by-passing the stages of development when capitalism is the dominant system, they can make rapid economic and cultural progress. Peasant Soviets in the

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> backward ex-colonies, and workers' and peasants' Soviets in the more advanced, will gravitate politically towards the centers of proletarian dictatorship and will in this way be drawn into the general system of the ever-expanding federation of Soviet republics and the world dictatorship of the proletariat. (93)

The concluding section of the *Program*, "The Chief Tasks of Communist Strategy and Tactics" contains comprehensive guidelines for the international Communist movement. To win over the majority of the proletariat "it is essential for the Communist Party to secure dominant influence in the large proletarian mass organizations (Soviets, trade unions, factory committees, co-operatives, cultural and sports associations, etc.)." (94) Of these mass organizations, trade unions are the particular target. "Of the utmost importance . . . is systematic work to capture the trade unions." (95) With regard to rural areas, party "influence over the peasantry is a question of particular importance." (96)

> The Communist Party must secure the wholehearted support of those strata of the rural population which are closest to the proletariat, that is, first of all, agricultural laborers and the village poor. This requires special organizations for agricultural workers . . . and strenuous work among smallholders. (97)

According to the *Program*, "the most important strategic tasks of the Communist International . . . are concerned with the revolutionary battle in the colonies, semi-colonies, and dependent countries." (98) In the West, the "Communist International supports every movement against imperialist violence in the colonies, semi-colonies, and dependent countries (e.g., Latin America) . . ." (99) This point, of course, was linked to the international activity of the League Against Imperialism (LAI). Metropolitan Communist Parties were ordered to "give systematic help to the revolutionary liberation movements of the colonies, and to the movements of oppressed nations in general." (100) Specifically, "active support to such movements rests in the first place on the workers of that country on which the oppressed nation is financially, economically, or politically dependent." (101) Within the colonies themselves, the "communist parties must wage a bold and persistent struggle against foreign imperialism, and untiringly advocate close relations

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and alliance with the proletariat of the imperialist countries; they must advance the slogan of agrarian revolution . . . and put it into practice . . ." (102)

The Sixth Comintern Congress adopted the *Theses on the Revolutionary Movement in Colonial and Semi-Colonial Countries* containing a section dealing with the Negro Question. In terms of specific tasks, these would "have to be defined according to the concrete situation" in the areas inhabited by negroes. (103) Further guidance was given in terms of tactics and strategy amplifying that laid down in the *Program*.

Frankfurt Conference of LAI

The Sixth Comintern Congress had thrown its support specifically behind the activities of its satellite the LAI. The Second Congress of the LAI held in Frankfurt (July 1929) was of particular importance in regard to organizing negro activity in the colonies. (104) The character of the participants had become almost entirely Comintern-affiliated with the non-Communist nationalist elements of the preceding conference, such as Nehru, no longer in association with the League. (105) James Ford, representative of the Red International of Trade Unions (RITU) Negro Committee, played a prominent part in the conference and was able to initiate the planning of the formation of sections in Africa and the establishment of ties with revolutionary African organizations already operative. (106) Ford was able to develop his concept of forming a world movement of negro workers through the formation of new contacts at the Conference and by organizing meetings following the conference for discussion of further strategy for Africa. A "Provisional Executive Committee" was set up during these discussions which organized the international conference of negro workers held in Hamburg in July 1930 though originally planned for London. (107)

Hamburg Conference

The "Hamburg Conference of Negro Workers" (July 1930) included representatives from America, the West Indies, and British and French colonial Africa and was of inestimable value for the intensification of Comintern activity in Africa. (108) Emphasis was to be given to work in sub-Saharan Africa it was decided, and further, the former emphasis on relying upon

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American negro agents for Africa was dropped. (109) Organization strategy was specifically addressed to the importance of trade union activity in promoting revolution.(110) The most important result of the Conference was the establishment of a permanent organization for the direction of the revolution among the world negro population. This was the International Trade Union Committee of Negro Workers (ITUC-NW) whose Secretary, George Padmore, was given an office in the Kremlin. (111) This organization then succeeded the RILU Negro Trade Union Committee and the Provisional Executive Committee resulting from the Frankfurt Congress. (112)

Summary of Instruments of Policy

To summarize instruments of Soviet policy in the colonial world, Comintern organs would come first being the "Commission on National and Colonial Questions," "the Negro Propaganda Commission," the "Eastern Bureau," and other Bureaus and Departments and affiliations of the ECCI that had relations with foreign revolutionary movements. Among the latter would be the Profintern (Red International of Labor Unions – RILU), Krestintern (Peasant International), the Young Communist International (KIM), International Labor Defense (ILD), League Against Imperialism (LAI), and the International Trade Unions Committee of Negro Workers (ITUC-NW), and the International of Seamen and Harbor Workers (ISH). Educational institutions established under Comintern auspices such as the Communist University for the Toilers of the East (KUTV) and the Sun Yat-sen University had an appreciable influence in training cadres from the colonial areas who would later gain leadership positions.

National sections of the Comintern such as the Communist Parties of the metropolitan countries established direct contacts with the revolutionary movements as noted above and some, such as France and Great Britain, established Central school for Party members. The CPSU established the Lenin School at Moscow under its own control in 1926, which prepared many future Party leaders from across the globe.

Summary to 1943

It is clear from the foregoing analysis that Soviet policy towards Africa was highly articulated over some three decades.

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Through the instrument of Comintern, through metropolitan Communist Parties, and through the Communist Party of the Soviet Union (CPSU) itself practical aid was given and tactical and strategic guidance was disseminated to revolutionary groups and movements operating in Africa.

Most striking is the fundamental continuity of doctrine and the meticulous nature of guidance on strategy and tactics. Noteworthy, too, is the inherent flexibility of the doctrine and practice of revolution to take advantage of opportunities and individual circumstances which arise from continually changing political conditions. Within the general dynamics of the revolutionary process, highly articulated differentiations in strategic and tactical guidance are provided to inform, orient, and guide the international revolutionary Communist forces.

The foregoing analysis has pointed out not only the extensive body of doctrine and experience accumulated by the international Communist movement to 1943 but also the general contours and thrust of Soviet policy. It yet remains for scholars to undertake detailed historical analysis relating ideological doctrinal guidance to specific development of the revolutionary process in target countries. Correlation of ideology to practice in concrete circumstances would provide deepened insight into the relative success and failure of Communists to accomplish tasks and goals as well as to determine patterns of action which can relate to contemporary conditions.

Turning now to the evolution of Soviet policy since 1943, it can be seen how the revolutionary past described above conditions current practice and points to patterns of future development in ideology and practice. With a more fully developed body of analysis of Soviet doctrine and practice, policy analysts can take advantage of scholarly insight to formulate realistic informed foreign and national security policies.

Soviet African Policy Since 1943: An Overview

Comintern was officially dissolved by Stalin on May 15, 1943 to facilitate the projection of a "benevolent" public relations image during the war effort and also to enhance the ability of the Kremlin to accomplish its post-war political strategic objectives. The functions of the Comintern, however, were transferred to the Foreign Affairs Department of the Central Committee of the CPSU. (113) A successor organization to Comin-

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tern, the Communist Information Bureau (Cominform) was established in 1947 with bureaus for Afro-Asia but it was only a part of the hidden international apparatus directed by the CPSU. (114)

In 1957, a year after the dissolution of Cominform, the Foreign Affairs Department of the Central Committee of the CPSU was reorganized into three separate departments: the Department for Relations with Communist and Workers Parties of Socialist Countries, the Department for Cadres Abroad, and the Information Department. (115) These were attached directly to the CPSU Central Committee while a core "International Department" remained and was presided over by Boris Ponomarev, a veteran member of the Executive Committee of Comintern. (116) Also established at this time was the monthly journal *Problems of Peace and Socialism* headquartered in Prague. The international apparatus linked to this organ forms an organizational network similar in objectives and practice to the formally discontinued Comintern and Coninform.

Other instruments of subversion include the KGB and the All-Union Central Council of Trade Unions (AUCCTU). It is not surprising that this trade union organization is at the forefront of international Communist subversion in light of the emphasis placed on trade union activity from the inception of the Third Communist International. Indeed, the current president of the AUCCTU is Alexander Shelepin, a former head of the KGB. Within this organization there is a special research department with hundreds of researchers "charged with seeking out situations, factories, companies, that might lend themselves to exploitation." (117)

Soviet penetration of the developing world through the medium of economic relations began after 1952. Following an economic conference held in Moscow on April 3-11, 1952, Soviet leaders decided to undertake a policy of the development of economic relations with these areas and the XIXth Party Congress of the CPSU held in October 1952 set the stage by noting the importance of the "peoples struggling for their independence" who were "threatened by American imperialism."(118) Trade was therefore offered to those countries which were favorably disposed to the Soviet Union. On July 15th, 1953, the Soviet delegate to the United Nations Social and Economic Council declared that the Soviet Union would

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assist the developing countries by dispatching technicians and contributing funds to UN development agencies.(119) Until June 1955, the Soviet Union maintained a policy of developing friendly relations with these areas, supporting their "neutralist" foreign policy positions, and displayed an interest in participating in their development plans and forming a web of trade agreements with them. After Nehru's June 1955 visit to Moscow and Moscow's espousal of the "Panch Shila" principles of "peaceful coexistence," Moscow became a potential ally for Afro-Asian and Middle Eastern countries.(120) Trade relations became politicized and the Soviets encouraged "neutralism" as a minimum policy to undercut Western influence.(121)

The "National Liberation Movement" remained an important component of post-war Soviet strategy and became increasingly prominent as the process of decolonialization gained momentum. The Kremlin had advanced the strategy of "peaceful coexistence" since 1917 and Khrushchev brought the concept up-to-date at the XXth Party Congress of the CPSU (1956) emphasizing the fact that under "peaceful coexistence" the "ideological struggle" continued and it was understood as encompassing international class warfare, propaganda and subversion, and "wars of national liberation."

Newsweek in its November 28, 1955 issue published an important article from information gathered through Western intelligence sources resulting from a defection by an East European intelligence agent.(122) Entitled "This is the Actual Blueprint for Enslaving – By Subversion – A Continent," the article detailed Soviet designs on Africa which plan was undertaken "shortly after the Bandung Conference" (summer 1955). Instruments of the Soviet program included special training centers for African students, Czech "scientific" missions to Africa, underground commandos recruited from ex-members of the Spanish Civil War "International Brigade" and the French Foreign Legion, and the infiltration of religious missions.(123) Concerning Angola and Mozambique, it was reported that a special department (of Cominform) was set up for these colonies in the Department of African Affairs office in Budapest. (124) It was headed by a Portuguese mixed-blood, Bartolomeo Saffio.

From the plan of the world Communist movement, the *Statement of the Meeting of Representatives of Communist and Workers Parties* ("Declaration of 81 Parties") reveals their com-

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mon position on the meaning of the current "epoch" and the role of "National Liberation Movements."

> Our time, the main content of which is the transition from capitalism to socialism initiated by the Great October Revolution, is a time of struggle between the two opposing social systems, a time of socialist revolutions and national liberation revolutions, a time of the breakdown of imperialism, of the abolition of the colonial system, a time of transition of more peoples to the socialist path, of the triumph of socialism and Communism on a world-wide scale. It is the principle characteristic of our time that the world socialist system is becoming the decisive factor in the development of society.(125)

Following Leninist concepts the national liberation process was held to be composed of two stages: first, the national liberation from colonial status; second, the road of non-capitalist development. The latter, however, had to be supported fully to prevent "deals with reaction and imperialism." The global transition from capitalism to socialism was said to result from the activity of the three revolutionary currents: 1) "the peoples who are building socialism and communist," 2) "the revolutionary movement in the capitalist countries," 3) "the national liberation struggle."(126) The continuity of this line with earlier Cominform formulations is immediately apparent.(127)

In 1967, these formulations were refined and authoritatively stated in the fundamental Soviet ideological textbook, *Foundations of Scientific Communism*, which is compulsory reading for all CPSU members and all students at Soviet colleges and universities.(128) The goal of international Communism is concisely defined as: "The Communists proclaim their principle objective openly . . . the overthrow of the capitalist system throughout the world and its replacement by Communist society."(129) The three revolutionary currents were termed the three revolutionary streams" defined as: 1) "the countries of the socialist world system," 2) "the international workers movement," and 3) "the national liberation movement."(130) These three "main sections" of the world movement have their separate "tasks." Ruling Communist Parties had to "do their utmost to discharge their international duties in resolutely and actively supporting all forms of the liberation struggle against imperialism," (131) Non-ruling Communist Parties had as their main objective the "overthrow of the capitalist system by a

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socialist revolution."(132) Communist Parties in the developing world were to bring "the national liberation revolutions to their conclusion" and to insure "their countries development along the non-capitalist road which creates the opportunity for building socialism"(133) Violent revolution was emphasized.

> The use of armed forms of struggle under conditions when the exploiting classes resort to armed force is necessary and logical. Without this means it would be impossible to break the opposition of reactionary circles. In a number of countries where the monopolies hold sway and militarism is strong the socialist revolutions will in all probability take place by force of arms.(134)

Ruling Communist Parties were required to follow then "general laws" which are, as is apparent, rooted in earlier Comintern formulations of "specific tasks":

1. Working people were to be led "by the working class whose nucleus is the Marxist-Leninist Party."
2. the "realization of proletarian revolution in one form or another."
3. the alliance of workers and peasants.
4. replacement of capitalist ownership by social ownership of the means of production.
5. the gradual transformation of agriculture.
6. "planned development of the economy."
7. "socialist revolution in the field of ideology and culture . . . training of an intelligentia . . . devoted to the cause of socialism."
8. solution to the nationalities problem.
9. "defense of the achievements of socialism against the plots of external and domestic enemies."
10. proletarian internationalism.(135)

Once the "National Liberation Movement" has gained power in a target country, Soviet ideology has elaborated a program to be followed to advance the socio-economic development of the country along "non-capitalist lines" with the ultimate goal being the realization of first the socialist state and then the communist state. Such a program rigorously suppresses only genuine nationalist tendencies. This process has been theoretically developed by Boris Ponomarev, Candidate Member of the Central Committee of the CPSU and Director of the International Department of the CPSU. A key document prepared by

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Ponomarev appeared in *Kommunist*, the organ of the Central Committee and the most authoritative publication in the Soviet Union, in May 1961 entitled "Concerning the National Democratic State." (136)

Ponomarev warns that "National-liberation revolutions can be brought to completion only by a resolute struggle against imperialism and internal reactionary forces."(137) As for the international significance of a successful "National Liberation Struggle" Ponomarev states clearly that,

> National democracy makes it possible for each country that has attained political independence, regardless of the level of its productive forces . . .(138)

The strategic implications of Ponomarev's formulation are precisely the same as Lenin's as expounded in Imperialism and it is clear that an unbreached ideological continuity has been maintained over six decades of Soviet strategy. (139)

Conclusion

The preceding analysis has shown the main content of Soviet ideology as it relates to Soviet African strategy over a period of six decades. Immediately apparent is the continuity of the fundamental geostrategic concept that the world capitalist system can be defeated by detaching Africa from its political influence and economic sphere.

Shifts in emphasis in strategy and tactics have been noted, yet the fundamentals have been shown to have remained unchanged throughout the period: the objective to make the "National Liberation Movements" an instrument of the Soviet directed "World Revolutionary Process" is constant. Soviet ideology is to orient and guide the activity of revolutionary marxist-leninist groups towards this end. The strategy and tactics pursued by these groups as well as the nature of their relations with the Soviet bloc countries, "the World Socialist System," has been spelled out clearly in official Soviet ideology. Soviet-supported "National Liberation Movements" in Africa can only be understood if seen as steps towards the creation of a "World Socialist System" under Soviet guidance. There is no account whatsoever of the ethnic or nationalist loyalties which are encouraged only as a weapon against "imperialism."

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FOOTNOTES

(1) See, Wolfgang Leonhard, *Three Faces of Marxism*, New York: Holt, Rinehart and Winston, Inc., 1974. Chapter 2, "The First Transformation: Leninism," provides a solid introduction to Leninist ideology.

(2) See, U.I. Lenin, *Imperialism, the Highest Stage of Capitalism*, Rev. trans., New York: International Publishers, 1969.

(3) See, Edward T. Wilson, *Russia and Black Africa before World War II*, New York: Holmes and Meier, 1974. Wilson has written a pathbreaking book and his work on Pavlovich is extremely valuable. For a brief note on Pavlovich see, Edouard Sablier, *De L'Oural à L'Atlantique*, Paris: Fayard, 1963, p. 64.

(4) Pavlovich, M.P., *Velikie Zheleznodoroznye i Morskie Puti Budushchago*, St. Petersburg: B.M. Vol'fa, 1913. Cited in Wilson, *op. cit.*, p. 102.

(5) Pavlovich, M.P., *Mirovaia Voina i Bor'ba za Razdel Chernogo Kontinenta*. Vol. IX of *Osnovy Imperialisticheskoi Politiki Mirovaia Voina*, Petrograd: Izd. TSIK, 1918. Cited in Wilson, *op. cit.*, p. 105.

(6) See Wilson, *op. cit.*, pp. 100-102.

(7) Wilson, *op. cit.*, p. 101.

(8) Stalin, Joseph, *Works*, Moscow: Foreign Languages Publishing House, 1953, Vol. IV, pp. 174-176.

(9) *Ibid.*

(10) *Ibid.*

(11) *Ibid.*

(12) Stalin, Joseph, *Works, op. cit.*, Vol. V, pp. 143-152.

(13) *Ibid.*

(14) *Ibid.*

(15) *Ibid.*

(16) *Ibid.*

(17) *Ibid.*

(18) Lenin, V.I., *Collected Works*, Vol. 39, Moscow.

(19) *Ibid.*

(20) *Ibid.*

(21) Degras, Jane, ed., The Communist International: 1919-1943: Documents, 3 Vols. London: Oxford University Press, 1956-1965, Vol. I, p. 18. This work is of fundamental importance to the student of Soviet strategy in Africa. Another essential work is, Alejandro Botzaris, *Africa e o Communismo*, 2 Vols., Lisbon: Committee for Overseas Research, Center for Political and Social Studies, 1959-61.

(22) Degras, *op. cit.*, p. 18.

(23) *Ibid.*, p. 23.

(24) Degras, *op. cit.*, p. 42

(25) *Ibid.*

(26) *Ibid.*, p. 43.

(27) *Ibid.*

(28) *Ibid.*

(29) Degras, *op. cit.*, p. 138.

(30) *Ibid.*

(31) Degras, *op. cit.*, p. 141.

(32) *Ibid.*, p. 143.

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(33) *Ibid.*
(34) Wilson, *op. cit.*, p. 123.
(35) Degras, *op. cit.*, p. 170.
(36) Wilson, *op. cit.*, p. 124.
(37) For a detailed examination of COMINTERN schools see Branko Lazitch, "Les Écoles des Cadres du Comintern," in *Contributions à l'Histoire de Comintern*, ed. Jacques Freymond, Geneva: Droz, 1965, pp. 233-257.
(38) For a discussion of Jones' role see, Wilson, *op. cit.*, pp. 125-27 and *passim*.
(39) Degras, *op. cit.*, p. 243.
(40) *Ibid.*
(41) *Ibid.*
(42) *Ibid.*
(43) Degras, *op. cit.*, p. 385.
(44) *Ibid.*
(45) *Ibid.*, p. 387.
(46) *Ibid.*, p. 389.
(47) *Ibid.*
(48) *Ibid.*
(49) *Ibid.*, p. 390
(50) *Ibid.*
(51) *Ibid.*
(52) *Ibid.*, p. 391.
(53) *Ibid.*, p. 392.
(54) *Ibid.*, p. 393.
(55) *Ibid.*
(56) *Ibid.*
(57) Degras, *op. cit.*, p. 395.
(58) *Ibid.*, p. 396.
(59) Degras, *op. cit.*, p. 401.
(60) *Ibid.*
(61) *Ibid.*
(62) Stalin, Joseph, *op. cit.*
(63) Executive Committee of the Communist International *From the Fourth to the Fifth World Congress*, London: Communist Party of Great Britain, p. 124.
(64) *Ibid.*, p. 9
(65) *Ibid.*, p. 12
(66) *Ibid.*, p. 90
(67) Degras, *op. cit.*, Vol. II, p. 106
(68) *Ibid.*
(69) Degras, *op. cit.*, Vol. II, p. 152
(70) *Ibid.*, p. 153
(71) See, Wilson, *op cit.*, p. 140 and Note 87 on page 331
(72) Wilson, *op. cit.*, p. 142
(73) Boersner, *Demetrio, The Bolsheirks and the National and Colonial Question 1917-1918*, Geneva: Droz, 1957, p. 187
(74) *Ibid.*

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(75) Degras, *op. cit.*, Vol. II, p. 256
(76) *Ibid.*
(77) *Ibid.*, p. 259
(78) *Ibid.*, pp. 259-260
(79) For a sketch of Munzenberg see, Ypsilon, *Pattern for World Revolution*, Chicago: Ziff-Daws Publishing Co., 1947, pp. 194-202.
(80) Wilson, *op. cit.*, p. 150
(81) *Ibid.*
(82) Munenberg, "Pour une Conference Coloniale," Correspondence Internationale, VI, No. 9, (August 14, 1926), p. 1011, as quoted by Wilson, *op. cit.*, p. 151.
(83) Eudin, X and R.C. North, *Soviet Russia and the East*, Stanford: Stanford University Press, 1954, p. 265, as referred to by Wilson, *op. cit.*, p. 150
(84) Wilson, *op. cit.*, p. 151
(85) See, "Les Décisions du Congrès: Résolution Commune sur la Question Nègre," *La Voix des Nègres*, I, No. 3 (March 1927), p. 3, as quoted by Wilson, *op. cit.*, p. 152.
(86) Wilson, *op. cit.*, pp. 152-153
(87) Munzenberg, Willy, "A la Veille de la Deuxième Conférence de la Ligne Centi-Imperialiste," *Correspondence Internationale*, VII, No. 122 (December 7, 1927), p. 1822 as quoted by Wilson, *op. cit.*, p. 153
(88) See Ypsilon, *op. cit.*, pp. 194-195
(89) Degras, *op. cit.*, Vol. II, p. 506
(90) *Ibid.*, p. 507
(91) *Ibid.*
(92) *Ibid.*, p. 508
(93) *Ibid.*
(94) *Ibid.*, p. 520
(95) *Ibid.*
(96) *Ibid.*
(97) *Ibid.*
(98) *Ibid.*, p. 521
(99) *Ibid.*
(100) *Ibid.*
(101) *Ibid.*
(102) *Ibid.*
(103) Degras, *op. cit.*, Vol. II, p. 546
(104) See, Wilson, *op. cit.*, pp. 179-81
(105) Wilson, *op. cit.*, p. 179
(106) *Ibid.*, p. 180
(107) *Negro Worker*, II, No. 4 (August, 1929) p. 1 as quoted by Wilson, *op. cit.*, p. 181
(108) ITUC-NW, *Report of Proceedings and Decisions of the First Conference of Negro Workers*, Hamburg, 1930, pp. 1, 3, 5 as referenced by Wilson, *op. cit.*, p. 182
(109) Wilson, *op. cit.*, p. 183
(110) *Ibid.*
(111) *Ibid.*, pp. 184-185
(112) *Ibid.*, p. 185

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(113) See, Leonard Schapiro, "The International Department of the CPSO: Key to Soviet Policy," *International Journal,* Winter 1976-1977, pp. 41-55

(114) *Ibid.*

(115) *Ibid.*

(116) *Ibid.*, p. 42

(117) See, Brian Crozier, "Subversion in Africa," in *Africa and the Defense of the West*, Paris: Le Monde Moderne, 1975, p. 98

(118) *Africa and the Defense of the West, op. cit.*, p. 38

(119) *Ibid.*, pp. 38-39

(120) *Ibid.*, p. 39

(121) *Ibid.*, pp. 40-41

(122) *Newsweek*, November 28, 1955, pp. 47-65

(123) *Ibid.*, pp. 54-55

(124) *Ibid.*, p. 55; For a perceptive analysis of communist subversion in Portuguese Africa see Alejandro Botzans, *op. cit.*, Vol. II, pp. 160-198

(125) *World Marxist Review*, Vo. III, No. 12 (December, 1960)

(126) *Ibid.*

(127) For additional reading on Soviet African strategy during the 1960s see initially, Colin Hegum, "Pan-Africanism, the Communists, and the West," *African Affairs*, Vol. 63, No. 252, July 1964, pp. 186-196; Aiden M. Crawley, "Communism and African Independence," *African Affairs*, Vol. 64, No. 255, April 1965, pp. 91-102; Roger Kanet, "African Youth: The Target of Soviet African Policy," *The Russian Review*, Vol. 27, No. 2, April 1968, pp. 161-175.

(128) See, Leonhard, *op. cit.*, pp. 195-198

(129) *Osnoy Nauchogo Kommunizma,* Moscow, 1967, p. 211 as quoted by Leonhard, *op. cit.*, p. 195

(130) *Ibid.*, p. 195

(131) *Ibid.*, pp. 195-196

(132) *Ibid.*, p. 196

(133) *Ibid.*

(134) *Ibid.*

(135) *Ibid.*

(136) B. Ponomarev, "O Gosudarstue Natsional' noi Demokratiii," *Kommunist*, No. 8 (May, 1961), pp. 41-47 as translated in Alvin Z. Rubinstein, *The Foreign Policy of the Soviet Union*, 3rd ed., New York: Random House, 1972, pp. 398-401.

(137) Rubenstein, *op. cit.*, p. 399

(138) *Ibid.*, p. 401

(139) See also, for a Soviet academician's view, A. Gromyko, "Soviet Foreign Policy and Africa," *International Affairs* (Moscow), No. 9, 1967, pp. 23-27 and his "The October Revolution and Africa's Destiny," *International Affairs* (Moscow), No. 9, 1977, pp. 95-103. Mr. Gromyko is Director of the Africa Institute, USSR Academy of Sciences.

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CHALLENGE OF THE FUTURE: THE ADVANCEMENT OF THE NEWLY INDUSTRIALIZING COUNTRIES.

By Donald J. Senese

The recent election of a European Parliament, seeking the long term goal of European political unification, failed to hide an important fact — the economic slowdown and limited growth of the world's most powerful economies. England, France, Germany and Italy, as well as the United States, have been experiencing a series of economic difficulties which appear to defy immediate solution, and the West European countries have concluded that the solution to their economic problems lies in economic unification, and the establishment of a larger internal market accompanied by the replacement of smaller national enterprises by larger, more highly rationalized industrial enterprises. By contrast, however, we observe a very rapid takeoff in economic development and economic growth in the economies of certain small nations generally classified as among the less developed nations. Notable amongst these are South Korea, the Republic of China on Taiwan, Singapore, Brazil, and Mexico. None of these, including even Brazil, presently possess a large internal market.

Economic Problems of the Industrial Nations

The Industrial Revolution prepared the way for the development of powerful industrial economies in England, France, Germany, and the United States during the nineteenth century. The confrontation of these powers in World War I and World War II tested the strength of those economies as they met the challenge of waging war for years. Germany was destitute following the First World War, suffered depression in the 1930's, and bore additional destruction leading to and resulting from defeat in the Second World War, but was able to launch a remarkable rebuilding program in the post-World War II period. While France, and to an even greater extent, Britain lost substantial overseas investments and suffered serious industrial damage as a result of World War II, the United States, by contrast, emerged as the leading world political and economic power. The rebirth of the European economy (especially of

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West Germany), and the great advances of the economy of Japan and the subsequent prosperity of these areas in the fifties has given way to serious and growing problems in the 1970's.

The proposition is now publicly advanced that the industrial West has entered into a decline. The well-known historian of postwar Europe, Walter Laqueur, who published a pessimistic postwar history of Europe entitled *The Rebirth of Europe*, has most recently published an even more pessimistic work entitled *A Continent Astray* (1). The present loss of will and direction of the European industrial powers, combined with a decline in economic, political, and military strength, raises grave questions regarding their future directions. Despite the disarray in European Communist parties, they remain a threat to move into any political vacuum. Former United States Secretary of State Henry A. Kissinger has warned that the accession to power of Communists in an allied country would bring a massive change in European politics, would bring a fundamental change in the structure of postwar politics and in the relations of the United States to its allies, and would alter the prospects for security and progress for all free nations.(2) Kissinger notes that the success of Western societies in maintaining prosperity sometimes contributes to their malaise since intellectuals criticize society for materialism when it is prosperous and for injustice when it fails to bring prosperity. Focusing on present European conditions, he points out that the economic difficulties between 1974-1978 (e.g., recession and inflation spurred by a rapid rise in oil prices) assist in fueling the frustration of those whose hopes for economic advancement are rebuffed. Furthermore, the interdependence of economies "causes inflation and recession to surge across national boundaries, compounding the sense of individual impotence."(3)

Despite the shock of the oil crises of the earlier 1970's, the economies of the industrial nations at first preserved an optimistic view of continued growth. After a number of years of faltering recovery, it was generally believed in the fall of 1978 that the industrialized nations of the First World were on a sustained and non-inflationary expansion. This optimistic forecast collapsed with the revolution in Iran, the further increase in oil prices, and increasing inflation. With the added OPEC oil prices, economists have estimated this increase will add at least two and a half percentage points to the average rate

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of inflation in the industrialized countries while it will reduce total output of the industrial world by about one percentage point. This reduces the rate of growth to less than two percent compared to an average of nearly four percent over the last ten years.(4) A three-year study by the Organization for Economic Cooperation and Development predicted that oil price boosts would reduce overall economic growth to two percent, push inflation into double digits, increase unemployment to the highest level since World War II, deteriorate international payment balances, and lead to an erosion of business and consumer confidence. It pessimistically concluded that the oil price increases would depress the economies of twenty-four industrialized countries over twelve months to the lowest level in many years.(5)

While the United States will still play a major role in the world economy because of its size and natural resources, the situation will nevertheless change if the U.S. economy stagnates and other nations move closer to the American levels in income. As with the United States, the Western European industrial nations will find their share of the wealth declining with the need to make difficult economic and social adjustments to rekindle economic growth.(6)

Although the oil crisis has brought problems, it has been part of an overall long term slowdown and the possibility of a worldwide economic stagnation or recession looms on the horizon. The problems of unemployment and fiscal deficits have not aided the present plight of the industrialized nations. A period of restrained and slower growth is the real prospect for the industrial powers of Europe and North America.(7)

Newly Industrializing Nations: South Korea A Successful Case

As part of the entire world economic situation, focus has been turned on the so-called less developed or Third World nations seeking to gain a position in the prosperity of the world. While the oil crisis has slowed growth in the industrial nations, the same crisis has led economic experts (particularly a forecast made for Chase Econometric Associates, Inc.) to predict that economic growth of the less developed nations will decline from an average of 6.3 percent rate of growth (1961-1973) to an average of 4.3 percent in real economic terms over the next ten years.(8) There has been increased speculation that the focus of

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world economic growth may shift from Europe and North America to other world areas. Newspaper columnist Hamish McRae has posed the question:

> Are Western industrial nations — be they successful ones like Germany or France, or less successful ones like Britain — inevitably going to decline in economic importance relative to the newly industrializing countries in the Far East and Latin America?(9)

The reference in McRae's question is to the group of advanced developing nations which have taken a lead role in rapid economic growth and in gaining a favored place in international trade. Sometimes referred to as the "Fourth World," to distinguish them from those "Third World" countries containing the impoverished majority of people of the world seeking a redistribution of the income and wealth of the richer nations, these "Fourth World" nations have pulled themselves up by various economic policies (especially development of industrialization, attracting foreign investment, and encouragement of free enterprise) to a new and cherished economic role. They have taken giant strides to overcome wartime destruction (in some cases), economic declines and setbacks, lack of natural resources, and an impoverished but rapidly growing population. One writer described the Asian nations which fit the category as a new phenomena in international economics:

> A relatively few advanced developing nations, meanwhile, want steadfast Fourth World support to roll back trade protection measures imposed by rich nations to keep out their relatively cheap manufactured goods. South Korea, Taiwan, Hong Kong and Singapore — with a combined population equaling that of Italy and a combined gross national product equalling that of Switzerland — now account for half the manufactured exports from all developing countries. But their products — from television sets to aircraft parts — threaten not only the older, less efficient industries in the developed world but their fledgling counterparts in poorer developing countries.(10)

South Korea's major role represents an outstanding case study of this phenomena of the "Fourth World." The South Korean government beginning in the 1960's has utilized a series of economic plans to rapidly develop its economy and has achieved one of the most rapid economic growth rates in the

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world as well as in modern Korean history. Beginning with 1962, the Korean economy grew at an average of ten percent per year. In slightly more than a decade, the South Korean economy may be as large as that of France presently. While at this time producing a large amount of the world's textiles, shoes, and electronic equipment, the Korean economy may soon challenge the major industrial powers of Europe as well as Japan and the United States in such basic industries as steel, autos, and shipbuilding.(11)

The advancement of South Korea into the ranks of the "Fourth World" is even more surprising because of the obstacles it had to overcome. Falling under Japanese colonial rule in 1910, Korea, possessed of few natural resources, had its economy subjected to the needs of its Japanese overlords. When Japan entered the Second World War, the people of Korea were dragged in to aid the Japanese effort; Korea suffered from harsh military rule, wartime shortages, transfers of its population, and disruption of its economy. Achieving liberation in 1945 after the defeat of Japan, the Koreans had to start the tortuous plan of nation-building.

The Japanese departure was in someways a mixed blessing since this event deprived Korea of its dominant economic power which took with it up to ninety-four percent of the total capital in the manufacturing section and about eighty percent of technicians. Virtually overnight the Koreans were stripped of essential capital, technical know-how, and the managers who made the system work. In addition, the overissuance of bank notes within a period of only four weeks in 1945 by the Japanese brought about monetary anarchy and an uncontrollable rush of inflation. With the Soviets occupying the north and the United States maintaining its position in the south, the political confrontation prevented a unification and Korea remained divided at the 38th parallel. This division, finalized with the establishment of the Republic of Korea in 1948, disproportionately hurt Korea south of the 38th parallel since the north contained the industrial heart of the Korean nation; this economic power of north Korea up to 1945 had produced ninety-two percent of electricity, seventy-one percent of coal and eighty-three percent of metal goods as well as possessing seventy percent of the total mineral resources. South Korea, constituting the agriculture section, was left without any significant

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industrial base; it had lost all manufacturing industries, suffered a decline in agricultural production because of a shortage of fertilizer, and had the capacity to only generate about eight percent of the total south-north national electricity generating capacity. South Korea's weakened economy suffered another blow when North Korea terminated its transmission of electricity to the south on May 14, 1948. Electricity had to be distributed on a limited basis with the few industries in the south going back to a handicraft system, household illumination was limited to less than thirty watt bulbs, plants with more than one hundred employees were allowed barely three hours of power supply and there was a sharp decline in agricultural production (particularly rice) since the power suspension had paralyzed irrigation.(12)

The South Korean government faced the problem of rebuilding an economy while confronting the problems of economic hardship, political unrest, and a growing postwar population.(13) Within forty months of the establishment of the South Korea government, a devastating war broke out when North Korea overran its southern neighbor on June 25, 1950, capturing the capital city of Seoul within three days and pushing to the far south within two months. Destruction resulted throughout the country. With the coming of the truce in July of 1953, Seoul had to deal with an impoverished war-ravaged population, the physical destruction of residential and business buildings, and the development of an industrial base which hopefully would lead to a rapid growth. This had to be undertaken while continually a military threat on its northern border less than forty miles from its capital city remained an ever present danger.(14)

After South Korea experienced a period of political unrest in the 1960's, its economic boom took place with the launching of a series of five year economic plans: 1962-1966; 1967-1971; 1972-1976; and 1977-1981. South Korea, short of resources, needed to build industrialization and to seek a growth of exports particularly the manufactured exports. The success of its economic development is evident by noting that South Korea's exports changed from mostly textiles to items which require a higher and more sophisticated type of development including industrial machinery, chemicals, precision instruments, and ships. During the first five years after the present ruler Park Chung-Hee came to power, the economy grew at an annual

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average rate of 8.3 percent and then in the following five years at an average of 11.8 percent. During the years of development, South Korea made effective use of a hard-working population, a modern production base, a strong export trade, and development of capital in order to continue an effective momentum in its economy.(15)

While the average growth for the gross national product has been ten percent since 1962, manufacturing has grown about seventeen percent per year while per capita income jumped from $82 in 1961 to $1,242 in 1979. Total exports jumped since 1961 by forty percent achieving a total $12.7 billion in 1978.(16) *The Washington Post* reporter William Chapman has written that South Korea in ten years had gone from a poor and semi-rural nation to an increasingly prosperous and urban one.(17) Columnist Hobart Rowen has pointed out that South Korea's growth rate over the past seventeen years was twice as much as the average for the rest of the world during that period and that from all appearances South Korea was moving from a least developed country status to a developed country status in a single generation.(18)

South Korea's flexibility in growth has been evident by its response to the oil crisis which has paralyzed or slowed down the economic advance of both developed and less developed nations. While the U.S. responded to the oil price increase of 1973 by exporting more dollars to pay the bill and Japan increased its exports of automobiles and television sets, South Korea exported about 100,000 people to the Middle East countries to build cities and port facilities.(19) South Korea did not allow the oil crisis to deter it and Hobart Rowen noted

> in the past three years — after the oil cartel's first, 400 percent increase in prices, the Korean growth-rate averaged a stunning 12.4 percent annual increase.(20)

In Saudi Arabia, a chief source of Korean oil, 73,000 Koreans are employed in sixty-six construction-related Korean firms and there are an additional 2,000 Koreans hired by foreign construction firms operating there.(21) South Korea's continuing approach to the Middle East is not only to export commodities but to export entire plants and presently it is examining joint ventures with third countries seeking markets in Iraq, Syria, Algeria, and North and South Yemen.(22)

It has been speculated that South Korea, starting from

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scratch economically, may in the long run benefit from the energy crisis since it will be easier to move away from the oil-based economies on which other nations so strongly depend.(23) Nevertheless, South Korea's government is actively pursuing a program to reduce oil dependency, construct badly needed facilities for oil stockpiling by 1984, and promoting the development of new energy sources especially solar energy.(24)

South Korea has obtained a phenomenal growth gaining significant progress in many industrial areas and generating rapidly expanding exports. There is a realization that difficulties must be overcome in domestic resource mobilization and technology development in order to take full advantage of the new stage of industrialization and thus enhancing industrial linkages, improve labor productivity, and lay the basis for sustained export growth. The nation seeks to build an industrial society while improving equity in income distribution and enhancing the living standards of its people.(25)

Observing that South Korea had overcome typical problems of less developed countries by its rapid economic development, Nam Duck-Woo, Special Assistant to the President for Economic Affairs for the Republic of Korea, reviewed for a Washington, D.C. audience in May of 1979 the highlights of South Korea's development and then posed the situation faced by a number of nations like South Korea:

> Standing at the threshold of a new era with a vision of joining the ranks of mature economies, Korea has to deal with a number of problems. The two fundamental questions facing Korean policy makers today may be phrased as follows: Can the present high growth rate be maintained beyond the 1970's? And can the continued high growth go together with price stability, social equality, and improvement of the quality of life?(26)

And certainly an important factor in the development for a world prospective will be the attitude of the industrialized countries as the new industrializing, less developed countries seek a transition to move into their ranks. One author has cited South Korea as a nation which is likely the first to go through the transition because of its current status.(27)

Other NIC's Show Impressive Gains

Similar to South Korea, the Republic of China on Taiwan

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has demonstrated the capacity of a developing nation with limited resources to make major economic advances. Taiwan began its economic growth in the 1950's with the assistance of United States aid but by 1960 U.S. economic assistance ended. After adopting a successful land reform program, Taiwan concentrated on building its exports. The annual increase in the gross national product jumped from 3.7 percent in 1957 to 9.6 percent during the period 1960 to 1965. The yearly income in Taiwan in 1952 averaged $148 while by 1977 it had jumped to $1,079. Despite a growing population and a high rate of per capita investment, income and buying power rose almost as fast as economic growth rates and, as this growth took place, disparities or differentials in income diminished so that the average difference in income is less than in the United States, Japan or most European countries.(28)

During the early 1950's, Taiwan exported mainly sugar. The export of industrial products by value increased from eight percent in 1952 (with the remainder agriculture) to eighty-eight percent in 1976 (with twelve percent agriculture). The country has shown great development not only in industry but in agricultural production. Although the total land under cultivation only grew by five percent in the past twenty-five years, agricultural production more than doubled, livestock increased fivefold, and fisheries increased seven times. Taiwan presently ranks as the seventh largest source of U.S. imports, outranking France as a major supplier, and the United States remains Taiwan's largest market.(29)

Concluding 1977, Taiwan recorded an impressive 8.48 percent gain in the real gross national product. The Council for Economic Planning and Development of Taiwan intends to raise the economic growth rate target for 1979-1981 from 7.5 per cent to 9.3 percent. Emphasis will be placed on the electronics, machinery, transportation equipment, and precision manufacturing industries. The intended export increase for 1979-1981 would be set at 16.4 percent.(30) Despite the decision of the United States to shift its recognition from the Republic of China on Taiwan to the People's Republic of China as the official representative of the Chinese nation, an optimistic mood remains on Taiwan as it continues to pursue its successful course of development.(31)

The past twenty-seven years can be divided into two major

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periods for this prospering nation. With the exception of 1954, the Republic of China on Taiwan suffered a trade deficit for every year from 1952 to 1970; the period between 1971 thru 1978 demonstrated a period of rapid trade expansion and a trade surplus resulted in every year but the oil crisis years of 1974 and 1975. In 1952, exports of agricultural products represented 68.3 percent and processed agricultural products represented 26 percent of total exports while in 1978 this dropped to 5.9 percent. Exports of industrial products jumped from 4.8 percent of total exports in 1952 to 89.1 percent in 1978! This amazing growth took place in a nation short of natural resources. Yet, there has been little variation in the imports of raw materials over the years: raw materials represented 74.2 percent in 1952 and 68.5 percent in 1978. Despite oil price hikes and certain shortages, Taiwan's exports during the first six months of 1979 showed gains with foreign trade representing $13.9 billion, a 32.8 percent increase over the first six months of 1978 while registering a $506.2 million trade surplus; exports over the same period last year had increased by 29.4 percent. Even though the energy problems had resulted in a 3.5 decrease in industrial production, an impressive growth rate of 7.8 percent had been achieved compared to the first half of 1978.(32)

The tiny island republic of Singapore with its economic success has been described as an obscure fishing village that has made the "big time." Having fully gained its independence on December 22, 1965, this area showed remarkable growth in the earlier years registering annual growth rates of ten percent or more. Even the 1978 rate of eight percent and future prospects of growth in that range are impressive by world standards. Although the oil crisis affected Singapore, its manufacturing industry was growing by ten percent benefiting from demand for Singapore-produced drilling rigs and the transport sector was growing by fifteen percent.(33) Singapore represents one of the fourth largest ports in the world and its economic forecast looks to continued export and shipping growth.(34)

Singapore's great advance has come under a number of policy initiatives called the New Economic Policy, the Second Industrial Revolution, or the New Phase. The program has kept the growth rate at the eight percent level – an impressive development for one of the world's smallest nations with no natural

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resources except a deep harbor. Singapore is a nation totally dependent on oil with no indigenous alternative fuels but, since it is the third largest refining center in the world, has benefited in some respects from the oil crisis since it can pass on oil price increases in the form of value-added petroleum products. Singapore may turn more toward coal before the end of the 1980's.(35)

Singapore not only has full employment but has had to import workers from other areas. These foreign "guest workers" make up about fifteen percent of the workforce. Wages in industry have doubled in the past decade. It has been estimated that 127,770 workers received jobs between 1970 and 1978 with the diversification of the economy into industrialization including textiles and garments, electronics, shipbuilding, and ship repairing. Movement is being made to more sophisticated industries like manufacturing aircraft parts. The future growth strategy includes raising labor productivity through restructuring and automation. The aim is to secure better machines and technology, better training, better production, and better management systems. Encouragement has been given to higher technology industries which can generate additional value-added products. Aware of the threat of growing protectionism, Singapore is preparing itself by seeking new markets in the developing countries such as Asian Pacific and Middle Eastern nations.(36)

The outstanding performance of the less developed nations can be found on the American continent as well as the Asian continent, particularly Brazil in Latin America. While Brazil made its fortune through coffee exports, a large number of very sophisticated industrial products has taken over as the key export items and, during the first nine months of 1979, these items accounted for over one half of the value of the country's total exports. These products include such items as jet planes, machine tools, tractors, and home appliances. While agricultural products constituted 65.5 percent of exports in 1970, these declined to 48.7 percent in 1977. Brazil has begun to diversify its economy and take advantage of its tremendous potential. Ranking as the fifth largest and the sixth most populous nation in the world, its gross national product is eighth among Western nations. Faced with social and economic problems, this nation grew by an impressive more than ten percent a year between 1968 and 1973 and continues an impressive growth pattern.(37)

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Regions such as San Paulo and Rio de Janeiro have shown remarkable industrial growth and, more recently, the state of Minas Gerais, north of Rio, has joined in the economic boom. The gross domestic product of Minas Gerais grew by ten percent in 1978 and by fifty-two percent in real terms between 1975 and 1978 contributing almost ten percent to Brazil's total domestic growth.(38) Despite an inflation rate of forty percent, Brazil recorded an overall growth rate of six percent in 1978 and will likely achieve a similar six percent growth rate in 1979.(39)

Similar to South Korea, Brazil has developed expertise in construction and engineering and has exported it; its external activities include a highway across the Sahara Desert in Mauritania, hydroelectric plants as well as roads in Bolivia, a railroad system in Algeria, roads in Nigeria, and railroad tracks in Iraq. The government of Brazil has been cutting back on subsidies as its economy reaches a world class status in many areas. Already the second largest exporter of food in the world, it is possible that Brazil could overtake the U.S. in that area by the early part of the next century. Brazil remains a growing and impressive economic power — a large nation developing its potential.(40)

Even Mexico, whose economic activity increased dramatically in 1978 with a 6.6 percent increase of gross domestic product in real terms over 1977, is attracting attention. The economic advance which has taken place in construction, manufacturing, petroleum, and petrochemicals is impressive. Output for farm machinery increased by sixty-seven percent, transportation equipment up thirty percent, production of investment goods up twenty percent, out of consumer durable up eighteen percent, and a twelve and a half percent increase in construction — all the more significant because output in these areas had declined, sometimes sharply, in previous years. The discovery of oil has aided this Mexican boom and remains one of the fastest growing areas of the economy.(41)

Though faced with a growing population and the need to create jobs, the overall growth of Mexico has added to the optimism for the future. The gross national product which increased 3.2 percent in 1977 jumped to 6.6 in 1978 and will likely be between 6.9 and 7.3 percent in 1979. While all areas of the economy are expected to increase, some areas will grow more significantly. Industrial production, which increased 10.4 percent in 1978, should reach the expected 11 percent

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this year; it will be the highest boost in the past decade. Its smallest growth will likely be agriculture even though the 3.1 percent expected is above the 3 percent and 2.5 percent of 1978 and 1977, respectively. Joining the trade boom, Mexico's exports will be fifty-five percent higher in 1978 than in 1977! With the influx of money from oil and a variety of internal development programs (e.g., the building of four new ports, a planned tripling of petrochemical production), Mexico's economic growth is expected to be in the future about eight to ten percent a year and could rise to twenty percent in some key industries.(42)

NIC's Have Important Future Role in World Economy

The oil crisis, with the five-fold increase in the price of petroleum in 1973, has become the pivotal point in viewing the economies of the nations of the world. Economic experts have tended to group nations as the rich and the poor, the haves and the have nots, the developed and the developing nations, or even as the North versus the South, Capitalist/Communist nations versus the Third World. The effect of the oil price increase and the nations' adjustment to it have played a major part in attempting to assess the economic future of the nation under study.(43)

While there have been improvements in the status of the less developed nations and significant economic recovery in the "Third World" over the past five years, there have been, as Hobart Rowen has noted, a strong group of advanced developing countries such as South Korea and Brazil that "are getting much stronger and better able to help themselves."(44) Speaking at a conference held at Harvard University's John F. Kennedy School of Government the first weekend in March of this year, David Bell, vice president of the Ford Foundation, observed that some very hopeful signs had appeared in the developing countries during the past twenty-five years: infant mortality rate in most of the countries had declined; more children are in school and those in school are remaining there longer; the food supply increase has kept slightly ahead of the rapid population increases; and income per capita has increased three percent compared to two percent in the industrialized nations. Bell cited the major "failures," as he saw them, as a very rapid rise in incomes for those countries fortunate to have oil and a wide

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diversity in economic growth rates with countries like South Korea and Taiwan pushing up the averages while places like Bangladesh and Chad remain behind.(45)

Certainly the analysis in this paper is not to imply that social and economic problems as well as debates over future courses of action do not exist in places like South Korea, Taiwan, Brazil, Mexico, and other less developed nations experiencing rapid economic growth. It is correct to note that these cited nations have responded effectively to the economic concerns faced by the developing countries in the 1970's: worldwide inflation; the rise in energy prices; the recession of 1974-1975.(46) The economic record of these nations have made it possible for them to secure loans through the international banking system.(47)

Overall, the world economy is in much better shape to absorb oil price increases than the previous one when the major economies were on the brink of recession. Yet, we see South Korea, Taiwan, Singapore, Brazil as standout performers in the less developed world as they have forged ahead both in growth of gross national product and in real value of exports. It has been particularly noteworthy since these countries did do without being among the major oil exporters.(48) Even without the oil discovery, Mexico's economy was making major advances in key areas; the oil discovery has just added to its overall economic advance. These nations have met a major test: they have enjoyed strong growth even during the turmoil of the 1970's.(49) A more significant test will come as they seek the road of transition to the First World or industrialized nations' ranks, currently their trade partners. An easy transition, if it can come about, would imply an expanding world economy based on an extended international division of labor and rising living standards worldwide. The newly industrial nations have been the only growing markets in the world during the late 1970's.(50)

Conclusion

The nations discussed in this essay remain some of the outstanding performers while most of the less developed countries continue to advance slowly and the major industrial powers are adjusting to slower growth rates for future years. Whether one labels these nations as the "Fourth World," outstanding performers among the less developed countries, the newly industri-

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alizing countries (NIC's), or advanced developing countries, these nations represent a significant breakthrough for nations which have experienced poverty, with large populations, faced by the effects of the oil crisis, and generally few natural resources. A major business magazine in an article discussing the shift of capital in the world sought to look at the long-range significance of this development:

> Further, this extreme tilt in the global economy in the decade ahead can only mean a drastic shift in the world power equation for the rest of this century. Economic muscle and political influence will rise in such less developed countries (LDCs) as Brazil, Mexico, and South Korea, which have high growth potential because of cheap energy or cheap labor, or both. Growth will slow and power will ebb from Europe and perhaps Japan, where economies are now maturing — and where nowadays neither energy nor labor is cheap.(51)

Historians and economists need to focus on this interesting shift for its ramifications are being felt now and will be influencing the course of world economic and political development into the next century.

FOOTNOTES

(1) Walter Laqueur, *The Rebirth of Europe*, New York: Holt, Rinehart and Winston, 1970; *A Continent Astray*, Fair Lawn, New Jersey: Oxford University Press, 1979.

(2) Henry A. Kissinger, "Communist Parties in Western Europe: Challenge to the West," in Austin Ranney and Giovanni Sartori (ed.), *Eurocommunism: The Italian Case*, Washington, D.C.: American Enterprise Institute for Public Policy Research, 1978, pp. 184-185. The book was a result of a conference sponsored jointly by AEI and the Hoover Institution on War, Revolution and Peace.

(3) *Ibid.*, p. 194. Kissinger sums up what he sees at stake: "The solidarity of the great industrial democracies has maintained global security for thirty years, Western collective defense provided the shield behind which the United States, Western Europe, and Japan developed the institutions of European unity and of the progressive world economic system. All these relationships would be severely jeopardized if Communists came to power in allied governments." *Ibid.*, p. 189.

(4) "'Growth Recession' Forecast by Experts: Rise in Oil Prices to Reduce Industrial Output," *Financial Times: World Business Weekly* (May 21, 1979), p. 10.

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(5) "OECD Envisions a Heavy Economic Blow to Industrial Lands from Oil Price Rise," *The Wall Street Journal*, July 19, 1979, p. 11. See also "OECD Sees Energy Woes Slowing Growth of Living Standards in Industrial World," *The Wall Street Journal*, June 15, 1979, p. 15; Leo Ryan, "Structural Changes Seen for Developed Nations," *Journal of Commerce*, July 9, 1979, pp.1, 17; Art Pine and Hobart Rowen, "U.S.: Sharp Oil Price Rise Could Bring Global Recession," *The Washington Post*, June 21, 1979, p. A15; Harry B. Ellis, "Oil Prices: Effect on Western Economies," *Christian Science Monitor*, March 7, 1979, pp. 1, 9.

(6) Paul Lewis, "West Seen Losing Economic Weight," *New York Times*, July 7, 1979, p. 27. It has been noted that one of the blows to the United States self esteem has been the discussion that other nations are or will be surpassing it in per capita income. See "Americans Are Still the Most Affluent," *Business Week*, November 20, 1978, p. 24.

(7) See "A Threat to Global Growth," and Gary Gray, "The Danger is World-Wide Stagnation," *Euromoney* (February, 1979), pp. 54-55, 49-50. The oil crisis and the need for raw materials have revived the discussion of the Western industrial nations, particularly the United States, using economic warfare (e.g., U.S. agricultural products) as an instrument of foreign policy. See William Schneider, *Food, Foreign Policy and Raw Materials Cartels*, New York: Crane, Russak, and Company, Inc. for National Strategy Information Center, Inc., 1976.

(8) "LDC's Growth Seen Slowing," *Journal of Commerce*, February 6, 1979, p. 11. James McCabe of the Chase Econometrics Associates notes that these regions will face three obstacles to rapid economic expansion over the next decade: sluggishness in major markets, increasing protectionism in the same markets, and a high level of internal debt built up in the developing countries in the last decade. He added that the developing countries would increase their pre-recession economic momentum in 1980's.

(9) Hamish McRae, "Economic Decline of the West?" *The Guardian* (Manchester, England), July 15, 1979, p. 4.

(10) James P. Sterba, "The Fourth World Wants Help With Its Bootstraps," *The New York Times*, May 13, 1979, Section 4, p. 4. The potential development of the "non-Communist" Asian states were highlighted in two articles a decade ago: Richard L. Walker, "The West and the 'New Asia'," *Modern Age*, 11 (Spring, 1967), pp. 153-160; and Sol W. Sanders, *The Arc of Free Asia: A Look Into the 1970's at U.S. Problems and Responsibilities*, New York: The American-Asian Educational Exchange, Inc., 1969.

(11) Norman Pearlstine, "How South Korea Surprised the World," *Forbes* (April 30, 1979), p. 53. While observing that Taiwan and Hong Kong in Asia and Brazil and Mexico in Latin America have made major advances in development, Pearlstine concludes that "nowhere have goals been more ambitious nor the achievement more substantial than in South Korea." He adds that the "hows and whys of the Korean miracle – and the lessons to be drawn from it – may be the least covered major economic story of the decade." *Ibid.*, pp. 53-54. South Korea's attempt to tell its story came out in a recent publication: Park Chung-Hee, *Korea Reborn:*

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A Model for Development, Englewood Cliffs, New Jersey: Prentice-Hall Inc., 1979. The author notes in referring to the period 1974-1975: "While the economies of many non-oil-producing countries of the world were in throes of stagnation, Korea, unendowed with natural resources and bound by long traditions, had won new recognition with its sustained high growth." *Ibid.*, p. 93.

(12) Kim Chum-Yon, *The Korean War*, Seoul, Korea: Kwangmyong Publishing Company, 1973, pp. 168, 171.

(13) *Ibid.*, pp. 171-172. When the war ended and Korea had achieved its freedom, Koreans who had been mobilized in the war serving in Japan, Manchuria, and China, returned to their homeland totaling between 2.2 to 2.4 million by the end of 1949. An additional 1.8 million escaped from North Korea to settle in the south.

(14) Kang Sang-Yun, "Seoul Unprepared 29 Years Ago," *The Korea Herald*, June 24, 1979; Also Takashi Hatada, *A History of Korea*, Santa Barbara, California: Clio Press, 1969. Translated and edited by Warren W. Smith Jr. and Benjamin H. Hazard; *Korea: Past and Present*, Seoul, Korea: Kwangmyong Publishing Company, 1972; Franz H. Michael and George E. Taylor, *The Far East in the Modern World*, New York: Holt, Rinehart, and Winston, Inc., 1964; John K. Fairbank, Edwin O. Reischauer, and Albert M. Craig, *East Asia: Tradition and Transformation*, Boston: Houghton Mifflin Company, 1973.

(15) Michael Keon, *Korean Phoenix: A Nation from the Ashes*, Englewood Cliffs, New Jersey, 1977, pp. 2, 208.

(16) Pearlstine, "How South Korea Surprised the World," p. 54.

(17) William Chapman, "Traditional South Korean Society Torn By Decade of Rapid Economic Growth," *The Washington Post*, June 14, 1979, pp. 33, 36. He writes that ten years ago half the people lived on farms but by the end of the 1980's only twenty percent will live in rural areas.

(18) Hobart Rowen, "South Korea's Real Test," *The Washington Post*, July 5, 1979, p. A19.

(19) Pearlstine, "How South Korea Surprised the World," p. 53.

(20) Rowen, "South Korea's Real Test," p. A19.

(21) "More Koreans Expected for Saudi Projects," *The Korea Herald*, July 18, 1979, p. 1.

(22) "Search Urged for New Markets," *Newsreview*, July 21, 1979, p. 20.

(23) Rowen, "South Korea's Real Test," p. A19. He writes that since South Koreans largely depend on mass transit to move people only five percent of South Korea's petroleum goes into gasoline for private ears compared to forty percent in the United States.

(24) See "To Cope with Oil Crunch," and "Development of Alternate Sources," *Newsreview*, July 21, 1979, pp. 17-19.

(25) *Long-Term Prospect for Economic and Social Development 1977-91*, Seoul, Korea: Korea Development Institute, 1977, pp. 1-2. The report states: "The potential for technical progress in Korea is almost boundless. Korea is still in the early stage of technological development; it has yet to choose an efficient mix of foreign technology. Once the nation can effi-

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ciently import, assimilate, and improve advanced foreign technology, productivity growth is likely to accelerate, especially as a large proportion of the labor force moves away from the less productive agricultural sector and the policy emphasis is shifted form labor-intensive light manufacturing industries to capital and technology-intensive heavy and chemical industries."

(26) Nam Duck-Woo, "The Prospects of the Korean Economy in the 1980's," Speech delivered at the conference "The Future of Business: Korea," Program presented at the Center for Strategic and International Studies, Georgetown University, Washington, D.C., May 24, 1979, pp. 2-3. See also speech by Under Secretary David Newsom at the same conference. Details of the present development plan can be found in *The Fourth Five-Year Economic Development Plan 1977-1981*, Seoul, Korea: Government of the Republic of Korea, 1976.

(27) Penepole Hartland-Thunberg, "South Korea and The World Economy in the 1980's: The Problems of the Zone of Transition," Monograph prepared for the World Power Assessment Project, Washington, D.C.: Georgetown University, Center for Strategic and International Studies, 1979, p. 11. The author notes: "In this regard the industrial countries must recognize that the penalties to them of the failure of Korea to negotiate successfully its zone of transition would only be a fraction of the total cost to them of the failure of all NICs to make the transition. If the first NIC to attempt the passage is not successful, the outlook for the rest is bleak indeed. If the First World denies to Korea the opportunity to negotiate the zone of transition successfully, it will be signalling to the Third World that its support for their economic development is conditional and limited. More importantly it will be denying to itself a 'new frontier' whose development could mean the difference between prosperity and stagnation," *Ibid.*, pp. 11-12.

(28) William R. Kintner and John F. Copper, *A Matter of Two Chinas*, Philadelphia, Pennsylvania: Foreign Policy Research Institute, 1979, pp. 23, 25-26.

(29) Ramon H. Myers (editor), *Two Chinese States*, Stanford, California: Stanford University Hoover Institution Press, 1978, pp.26, 46, 48.

(30) "Taiwan," *Asia 1979 Yearbook*, Hong Kong: Far Eastern Economic Review, Limited, 1979, pp. 303-304.

(31) See"Taiwan's New Realism," and "A Private Route Avoids Red Tape," *Far Eastern Economic Review*, 105 (July 20, 1979), No. 29, pp. 21-23 and Donald J. Senese, "Reassessments for Taiwan, Japan, and South Korea: U.S. Reliability in Asia," pp. 356-378, in John Tierney Jr. (ed.), *About Face: The China Decision and Its Consequences*, New Rochelle, New York: Arlington House, 1979.

(32) "ROC's Foreign Trade," *China Post*, July 16, 1979, p. 2; "Foreign Trade Sets New Record, Says Yu," *China Post*, July 27, 1979, p.1.

(33) "Singapore," *Asia 1979 Yearbook*, pp. 288-293.

(34) "Singapore: From Fishing Village to the Big Time," *Financial Times: World Business Weekly*, December 11, 1978, pp. 29-30.

(35) "Singapore '79; Second Industrial Revolution," *Far Eastern Economic Review* 105 (August 10, 1979), pp. 40, 42, 64, 72.

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(36) *Ibid.*, pp. 40, 41, 64, 65.

(37) Edwin McDowell, "Brazil Alters Its Export Mix," *The New York Times*, January 7, 1979.

(38) "Modern Goldmine for Foreign Firms," *Financial Times: World Business Weekly*, March 12, 1979, pp. 46-47.

(39) *Foreign Economic Trends and Their Implications for the United States: Brazil*, Prepared by the American Embassy in Brasilia, Washington, D.C.: Government Printing Office, 1979, p. 3.

(40) McDowell, "Brazil Alters Its Export Mix"; "What Lures Industry to Brazil's Northeast," *Business Week*, April 16, 1979, pp. 122L-122N. "Brazil Eases Its Economic Grip," *Business Week*, March 19, 1979., p. 81.

(41) *Foreign Economic Trends and Their Implications for the United States: Mexico*, Prepared by the American Embassy in Mexico City, Washington, D.C.: Government Printing Office, 1979.

(42) "Business Optimism Up In Mexico," *Journal of Commerce*, June 14, 1979, p. 11; "Mexican Economic Boom Seen," *Journal of Commerce*, June 22, 1979, p. 10; Alan Riding, "Oil Can't Solve All Mexico's Problems," *The New York Times*, February 18, 1979, Section 4, p. 2.

(43) Hobart Rowen, "Significant Rebound in the Third World," *The Washington Post*, October 29, 1979, Section F, pp. 1, 20.

(44) *Ibid.*

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(46) "Recent Growth Trends in Developing Countries: From A World Bank Staff Study of Prospects for Developing Countries," *Finance and Development*, 15 (March, 1978), p. 6.

(47) "A Threat to Global Growth: How the Next OPEC-Spurred Downturn Will Hit Countries Big and Small," *Newsweek*, 114 (July 2, 1979), p. 54.

(48) "The World Economy is Happily Out of Sync," *Fortune*, August 13, 1979, pp. 113, 117.

(49) "Neo-Mercantilism in the '80's: The Worldwide Scramble to Shift Capital," *Business Week*, July 9, 1979, p. 53.

(50) Hartland-Thunberg, "South Korea and The World Economy in the 1980's," pp. 3-5.

(51) "Neo-Mercantilism in the '80's", p. 50.

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THE CONGRESSIONAL MANDATE ON U.S. FOREIGN AID: CAN IT BREAK THE VICIOUS CIRCLE OF POVERTY?

By Walton T. Wilford

Three-fourths of the inhabitants of this globe — over three billion people — are enmeshed in what economists have dubbed the "vicious circle of poverty." The vicious circle, as the term implies, is a closed system in which any population combined with low productivity of resources leads to low income. Low income leads to low savings rates. Low savings rates lead to low levels of capital formation. Low capital formation results in low productivity, and so the circle is closed. To make matters worse, low income is commonly associated with a high birthrate, which constitutes in most cases an additional strain on national resources.

VICIOUS CIRCLE OF POVERTY

LOW PRODUCTIVITY ---> LOW INCOME ---> LOW SAVINGS --->
LOW CAPITAL FORMATION ---> LOW PRODUCTIVITY

Trying to break that "vicious circle" is a multibillion dollar game over which economists theorize, politicians bureaucritize, entrepreneurs pragmatize, poor people agonize, and foreign assistance agencies prosylatize.

Prior to 1973 bilateral U.S. development assistance was at least partially rooted in the exercise of resource allocation based upon objective economic criteria. However, in 1973 Congress directed that bilateral foreign assistance be directed to social programs to help ameliorate the immediate suffering of the "poor majority" of the world. These programs may temporarily lift the collective spirits of the poor and give the U.S. a halo of humanitarianism. Unfortunately, such strategy is *not* based upon the hard fact that economic development can only emerge if scarce resources are directed to widening the capital base of the economic system through mobilized savings and from the application of economic tools to planning decisions. The post-1973 strategy is doomed to failure.

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The Painful Process

If there is one lesson that permeates the research literature on economic development it must be that stimulating growth is a slow, painful, and hazardous process. Further, programs which in the long-run lay the economic/social base for what Walter Rostow has called "take off' or self-sustained growth do not necessarily improve the immediate well-being of citizens in those nations. Development is painful, costly, and requires large doses of precisely those medications which involve enormous sacrifice for individuals in societies which are directly impacted.

Over 90% of the Third World nations population comprise what might be called the "poor majority," people whose per capita income is below $200 per year, whose life expectancy is less than 55 years, whose infant mortality is above 33 per thousand births, and whose diet is less than 2,000 calories per day. How do you tell these people that limited economic resources cannot be utilized to produce more consumer goods as food, clothing, and shelter, but must be channelled to building a road, installing a communications network, hiring a teacher, or building a factory?

How do you tell an underdeveloped society whose population is already at the margin of biological subsistence that it must increase its savings rate, and divert current resources *from* consumer goods *to* building roads, dams, and other forms of capital? How do you tell a society which has centuries of religious/social values that it must alter basic beliefs, traditional family structure, and language in order to achieve the nebulous benefits of long-term economic growth? How do you tell families which depend upon numerous children for labor and for retirement security that population growth only imperils the long-term ability of the system to sustain growth?

The simple problem in economics is allocating scarce resources among alternative uses to satisfy insatiable material wants. Nowhere is that dilemma more dramatically illustrated than for planners in the Third World countries who must recommend choices in resource use which lay the base for long-term economic growth, but which may actually aggravate *current* misery.

Both politicians and citizens of emerging societies identify economic development as their primary goal. When the *costs* of

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development are apparent, however, it is not entirely clear that citizens of many Third World countries are prepared to undertake the necessary short-term sacrifice. Unfortunately, economic development occurs in the long-run. While benefits may be enormous for future generations, those current individuals who must undertake the necessary sacrifice in the short-run must find it difficult to swallow all the medication so that future generations are made "better off." As John M. Keynes incisively noted, "in the long-run we are all dead." It is not at all clear that the peoples of many Third World countries, where the "costs" truly recognized, would opt for programs of economic development. The point has been made abundantly clear in recent Iranian events.

The Congressional Mandate Approach

Any survey of Third World governments as to their goals would, nevertheless, find economic development heading the list. The principal objective of the bilateral United States foreign assistance program over the past several decades has been economic development — defined as a sustained increase in per capita income over time. At least that has been the objective of the programs initiated by the Agency for International Development through the early 1970s.

In 1973, however, the U.S. Congress issued the now famous "Congressional Mandate on Foreign Assistance" which continues to guide our foreign development assistance efforts. The Mandate questioned more traditional economic doctrines and required that foreign assistance be aimed directly at improving the immediate lot of the poor majority of the Third World nations. Dissatisfied and impatient with the progress of foreign aid in solving underdevelopment, Congress mandated to the Agency for International Development (A.I.D.) the task of helping the poor majority in developing countries raise their living standards beyond subsistence by concentrating its programs on (1) food and nutrition, (2) population and health, and (3) education. Direct involvement of the world poor in the development process is a major focus of the Mandate, and, A.I.D. resources were to be aimed less at generating the capital infrastructure such as roads, dams, factories, and industrial enterprises, and more towards programs which directly impact the poor majority.

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The Foreign Assistance Act of 1973 constitutes a complex array of directives, prohibitions, and hypotheses relating to U.S. bilateral economic development assistance. It flatly rejects the body of economic development theory, empiricism, and strategy which has emerged over the past several decades. Among the more severe divergences from pre-1973 development strategy included:

(1) concentration on a few key sectors directly responsive to the needs of the "poor majority;"

(2) a shift from support of large scale capital transfers involving capital-intensive industries to smaller projects which are more labor-intensive;

(3) greater direct participation in the poor in the development process and renunciation of the "trickle down" strategy of economic growth; and

(4) wider participation of women in development programs.

The strategy of the Congressional Mandate is founded on the hypothesis that U.S. bilateral foreign assistance can be used directly to help the poor to obtain adequate nutrition, a practical education for all family members, necessary health support, the poor majority will somehow be absorbed into the domestic development process. The effects of such "direct participation in national wellbeing" are varied, but generally are deemed to include (1) higher rate of economic growth, (2) greater life quality (however defined), (3) a more equitable distribution of the existing wealth, and (4) more widespread rights and social justice.

Direct assistance is viewed as the most timely concrete expression of the moral commitment felt by Americans toward their less fortunate neighbors, and the Mandate implies that Congress, reflecting the consensus of the American people, should support primarily programs which mutually benefit the world's poor and the United States. "Trickle down" development programs are left to multilateral international financial institutions and private investment.

The Traditional Approach

Implicit in the 1973 Congressional foreign aid directive was the view that the more traditional "trickle down" theory of economic development does not work. That is, traditional development programs aim at sectors which maximize per

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capita growth – although they might not in the short-run improve the economic lot of most of the poor. Those who espouse this approach to development – the more traditional economists – hold that building the economic base through utilizing resources in those projects with highest potential for economic growth will ultimately lead to Rostow's "take off" into sustained growth. Development "trickles down" slowly, but surely, and absorbs the poor majority as the engine of growth is fed. Congress, in its 1973 Foreign Assistance Mandate, implicitly rejected traditional economic doctrine by suggesting that economic growth may be less important than reaching the poor directly.

Theory suggests that the Congressional Mandate approach will only lead to repeated false growth starts. Directly impacting the world poor through programs that maximize the numbers of poor people "benefited" only insures that long-run poverty will be perpetuated. It does so by allocating scarce resources to programs that, while they may lead to short-run fuller stomachs, also generate an income distribution pattern which stifles the possibility of self-help through internal savings. It doesn't do much good to contribute to the "revolution of rising expectations" through policies which generate increased demand for goods and services through income redistribution but do not address the issue of domestic supply inelasticities. A failure to efficiently channel scarce resources into capital formation, physical and human infrastructure projects, and technologically efficient leading industrial/agricultural sectors will insure that the world poor are not absorbed into the growth process. Indeed, traditional economic theory suggests that failure to attend to structural supply bottlenecks will insure minimal economic growth. And, it is difficult to see how social justice or human rights can be served if the economic pie is not enlarged for the poor majority.

The Dilemma: A Goals Conflict

By narrowly defining the focus of bilateral assistance into the specific areas of food production, nutrition, population control, health, education, and human resources development the Congress eliminated economic aid to such enormously important sectors such as technologically efficient capital-intensive industry, communications and transportation infrastructure,

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and natural resources extraction, and refining. Even within those sectors where assistance is permitted, the focus of foreign assistance programs is narrowly defined to include only those projects which "most directly impact upon the target group – the poor majority."

A case illustrating the conflict between the traditional approach to development and the Congressional mandate would be helpful at this point. Large agricultural enterprises which are capital intensive and cost-efficient are generally ruled out by that part of the Mandate which requires maximum impact on the poor majority. An acceptable project would be one aimed at improving the productivity of the traditional rural farm family, an economic unit which is by all measures inefficient, unskilled, often illiterate, and which works a small, uneconomic plot of an acre or so. Suitable AID programs for this target group may be justified if the program is a "dynamic process which can be expected over time to reach significant numbers of people in the target group." At the same time, the project must be cost-efficient.

Immediately we have a conflict of socio-political and economic objectives. On the one hand, the project must be a process which reaches significant numbers of people, and within the same breath it must also allocate resources in a cost-effective manner. These are not necessarily, nor even frequently, complementary objectives. One may, for example make the small farmer more productive by a program of providing sufficient land and capital for a few families, obtaining efficiencies of large size thereby, and maximizing productivity. The process of concentrating limited AID resources on a few families to make them more efficient, however, does not permit the impacting of a large number of poor people "directly." Alternatively, limited AID resources could be simply divided in the form of small amounts of credits for fertilizer, capital, etc. among a large number of poor farmers – thus maximizing the visibility of the AID program (good for public relations) but not really improving the productivity. The fundamental question is whether a development program should aim efforts at the least potentially productive element of the economy, a sector where the conditions for stimulating growth are least favorable. And if, by Congressional edict it must, it does not help to simply distribute the available foreign aid pie equally among a large

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number of people simply to give short-run relief to hunger and poverty. Postponing the inevitable through misuse of limited resources plays a cruel hoax upon precisely the "poor majority" whom we wish to assist.

Is it not possible to "directly" impact the poor majority in a cost efficient manner through "indirect" programs. For example, must a project assist a subsistance farmer to directly obtain a minimal cash income by providing one family with technical assistance and credit for resources. Or can one assist a fewer number of commercial (larger scale) farmers to go into intensive production of a high crop value and thus indirectly provide employment and higher cash incomes for a number of subsistence farmers who are absorbed into the more efficient agricultural operation. The latter course probably contributes to increased export earnings and government revenues which "trickle down" (through education, roads, medical care, etc.) to benefit others of the poorest majority.

Public relations from the spread or "shotgun" approach may give the U.S. a humanitarian glow, but it will not solve the underlying causes of the vicious circle. Indeed, concentrating directly on the poorest of the poor by dividing limited AID resources among huge numbers of people contributes to an international "welfare complex" which provides quick relief from some manifestations of poverty, but does little to eliminate poverty itself.

A foreign assistance focus that is apparently willing to dismiss the basic criteria of economic efficiency and replace it with a criterion that requires that we "reach" people by maximizing some nebulous equity criterion for an equally nebulous target group is not to be called economic development. It is, more appropriately, "economic pacification."

If the economic development literature has taught us anything during the past thirty years, it is that some ordering of resource allocation decisions must be made on the basis of objective economic criteria, whether it be cost-benefit analysis, capital/output analysis, social marginal productivity, or internal rate of return. If foreign assistance is not about the business of economic development, but primarily concerned with redistributing wealth and maintaining political visibility within the world of the poor majority, we should be honest in identifying our objectives and in modifying our expectations of success.

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Foreign aid policy under the current guidelines of the Congressional Mandate may well prove futile in terms of supporting those economic policies in less developed nations which lead to sustained economic advance. Given the dimension of the development challenge for the three billion humans existing in the Third world, every resource devoted to the development game must count for maximum efficiency to fuel the engine of growth. Restricting major programs to those that most "directly" affect the poor is commendable from a short-run humanitarian viewpoint, but will surely be self-defeating by the measure of long-run economic development.

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THE INTELLECTUAL MUDDLE OVER LABOR UNIONS

By Morgan O. Reynolds

Labor unions are a prominent feature of life in every Western economy. In the United States for instance, unions have 20 million members, an estimated 170,000 contracts in force, and collect more than $3.5 billion in dues, fees, and assessments each year. Evidence of the prosperity and security of most U.S. unions is unmistakable.

But the direction of change for unions is not so buoyant. Opinion polls consistently show that unions have the lowest public rating of any major institution in U.S. society. The percentage of the labor force in unions has declined from a peak of over 30 percent in the 1940s to its current 20 percent. Unions lost 869 of 1176 elections to decertify the union as collective bargaining agent in 1977 and the number of elections tripled over the last decade. Corruption in union finances, especially pension money, is daily newspaper fare. A major union-backed effort to change federal labor laws was defeated in 1978 and the prospect for pro-union change in labor laws in the near future is very slim. To be sure, unions can still muster their political force, as in the recent vote on a right-to-work law in Missouri, but fighting against proposals to restrict unions is not a sign of political ascendancy.

Normally these troubles could be dismissed as temporary aberrations due to peculiar conditions, rather than a harbinger of a trend. However, the decline is more likely to continue than not because of a surprising underlying weakness for unions: the intellectual community has no ideas which can make the actions of unions appear reasonable over the long pull.

Ideas are important in sustaining the legitimacy of any institution but the importance of ideas cannot be over-emphasized in the case of unions because so much of their behavior appears antisocial to the public. The power of unions to win economic concession through disruption, threats of disruption, and other forms of economic warfare ultimately rests upon some kind of vague acceptance, or at least tolerance, in the general community. Unions of government employees intensify the issue because it is hard to claim that union gains in the public sector come solely at the expense of rich capitalists.

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Intellectuals and academics have supplied arguments to make unions and their actions appear reasonable in the past. Emotion has always inclined intellectuals to sympathize with unions because of the excitement and romance of "the struggle," buttressed by the belief that the distribution of income was unjust – workers earning too little and investors earning too much. When stripped of sentimental appeals about poverty and exploitation of workers, the intellectual case for unions has rested on two parts: 1) individual employees are helpless in dealing with their employers, and 2) a union is essential to give employees the ability to deal on an equal basis with an employer. In the jargon of economics, buyers (employers) commonly enjoy immense monopsony power to decide the terms to offer the sellers of labor services *and* monopolization by the sellers (employees) is the appropriate remedy to offset employer power.

Regardless of the economic validity of this view, its political and judicial success has been astonishing. Skeptics in the universities have either been dismissed or silenced by charges that to doubt the virtue of unions was to favor low wages, be against "labor," and to be subservient to "business interests."

The New Agnosticism

But times have changed. After more than 40 years of real experience with large-scale unions, intellectuals can no longer arouse any passion for unions and for union leaders. The dissipation of belief has led to some recent soul-searching about the nature of unionism and the state of industrial relations. (1) It could not be more welcome.

The most interesting aspect of these articles is the more-or-less open admission that their authors have not quite figured unions out. For instance, Irving Kristol says, "Attitudes toward unions, pro and con, are emphatic enough. But of serious thinking about unions – what kinds of institutions they are, and why, and to what purpose – there is precious little." (2) Other writers are not quite so open about the prevailing confusion, but it is transparent enough. Nicholas von Hoffman, for example, attributes the decline of unions to "image problems." He concludes as a result that a bad union is better than no union at all simply because "for most of those people

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(working for somebody else), without union power there is no power." (3)

Intellectual bankruptcy is especially obvious in recent academic papers about the issue of unions. Clark Kerr's review is richly representative. He describes the field of industrial relations as:

> ". . . a contribution of theory and practice . . . an interdisciplinary view . . . a rejection of ideology . . . an attitude of neutrality . . . an effort to see reality in its several dimensions . . . countervailing forces . . . mixtures of good and bad . . . workable policies . . . among the 'bumps and grinds' of the real world."

The deliberate, continuing failure to consider the fundamentals of unions is obvious in his conclusion:

> "Labor economics will make a greater contribution if it is on the borderline between theory and practice than if it is only on the borderline of theory; or only refers to a single ideology; or abandons a relationship to theory entirely. It can contribute most where the world of theory and the world of practice meet."

Another review of the research in industrial relations is more explicit about the lack of an "integrating theory" of unions. The authors, Strauss and Feuille, refer to:

> ". . . the difficulty of defining precisely what industrial relations includes . . . some authors feeling that industrial relations should have a theoretical base of its own and others concluding that the only appropriate theories were those of the more basic disciplines, such as economics . . . a growing perception that industrial relations was becoming a practitioners' rather than a researchers' field . . . American industrial relations research may have stressed policy too much, seeking immediate application rather than basic understanding . . . We see little likelihood of a specifically industrial relations theory beind developed in the U.S."(4)

The authors come close to stating one of the major reasons for much of the dissembling by academics in the field because they say that ". . . industrial relations scholars increasingly sought to facilitate union-management cooperation, and in the process they became technicians and defenders of the status quo." (5) An accurate translation is that industrial relations

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specialists and labor economists in major universities are labor consultants, arbitrators, conciliators, and mediators. They have an obvious financial interest in preserving a labor conflict system and maintaining an aura of impartiality. The failure to come to grips with the fundamentals of unions is no surprise: it even pays to be confused.

Labor Monopoly is Monopoly

The discouraging part about all the confusion over unions, whether feigned or real, is that disinterested economists (not "labor economists") offer a basic, rigorous analysis of unions which is perfectly consistent with the rest of economics, as well as the evidence about how unions behave. The foundation to explain what unions are, what they do, and why, already exists, especially in the work of Alfred Marshall, Edwin Cannan, W. H. Hutt, Henry Simons, H. G. Lewis, F. Machlup, and Milton Friedman. (6) Tragically, this rigorous work on unions has received so little attention in the current generation that few people are aware of it. The field has been left to the woolly ambiguities of specialists in industrial relations for so long that even many economists unthinkingly believe that unions do not fit into contemporary economic theory.

Consider the basic definition of a trade union: A union is an association or combination of labor suppliers who have little or no monopoly power individually but who seek it as a group. Expressed this way, there is nothing different in principle between employee unions and other sellers' unions (businessmen, farmers) which combine to keep prices above competitive, open-market rates. This is not intended to be pejorative but simply states the economic purpose of a labor union, since they are more than a social club. Union spokesmen have not bothered to conceal this because a classic union slogan has been to "take competition out of wages" or to "take labor out of competition." Unions are the major anticompetitive force in labor markets and monopoly rewards are the goal.

The rewards for successfully organizing and maintaining either a business cartel or a labor union are obvious enough, but they are difficult to sustain without government help. Cartels and labor unions are internally unstable and competition keeps eroding monopoly profits and monopoly wages. If the law were neutral toward both unions and business cartels,

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unions would be extremely difficult to sustain because the number of workers is much larger than the number of firms, turnover rates are higher among workers than among firms, and no workers have large shares of sales to facilitate collusion.

Prior to the 1930s unions consisted almost exclusively of small groups of craftsmen because they met the two conditions for successful unionization: 1) large potential monopoly gains in wages because their employment was relatively insensitive to wage increases, at least in the short run, and 2) the cost of union organization was low (small numbers of workers, low turnover rates, employers who were few in number or geographically concentrated).

Since it is so difficult to organize workers into monopolies, unions sought out the regulatory benefits of the state, just as other monopolies do. The government and courts gradually supplied legal privileges to protect unions from the discipline of open competition, which is so intolerant of privilege and outmoded methods. The Railway Labor Act arrived in 1926 to enforce collective bargaining in interstate transportation, and the '30s brought the Davis-Bacon Act to protect union wages in construction, the Norris-LaGuardia Act to restrict court injunctions against unions, the Walsh-Healy Act to spread union wages among federal contractors, and the Fair Labor Standards Act to fix minimum wages, overtime premiums, and working hours.

The most important political success for unions, however, was the Wagner Act in 1935. It supplied the government services demanded by unions: government determination of bargaining units, representation elections, monopoly bargaining rights, and machinery for enforcement (National Labor Relations Board). To illustrate, the Wagner Act drastically reduced the difficulties of keeping a combination of workers together. The cost of gaining the consent of nearly all the employees, as well as their willingness to sustain a strike in order to unionize an enterprise, was reduced to a voting majority in an NLRB election. Surprisingly, in his testimony supporting "exclusive representation" in the Wagner Act, William Green, then president of the AF of L, offered an accurate analogy between exclusive union representation and corporate majority rule in the NIRA Industry Codes (cartel agreements).

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After more than 40 years of favorable government regulation, unions are still primarily found in crafts and industries where the labor market is highly concentrated, either in terms of geography or number of employers. This accounts for the high degree of unionization in mining, railroads, airlines, the building trades, printing, and public utilities. Industrial unions are largely found in industries with few employers — transportation equipment, primary metals, electrical machinery, and petroleum refining. Unions have not had to overcome the tremendous costs of organizing many small employers in these industries, which has traditionally limited unionization in sectors like wholesale and retail trade, the services, and agriculture. The competition of large nonunion sectors in an industry always limits wage increases to small amounts, even if some firms are unionized.

Union sympathizers might uncomfortably admit that unions are beneficiaries of regulatory favors by the government but still argue that the net economic effect of unions is beneficial. But defenses of unions usually rest upon a series of faulty economic notions like the following:

1. "Unions provide protection from the employer's superior bargaining power."

Employers do not have so-called superior bargaining power. Individual employers are not free to fix wages wherever they wish because if they choose very low wages, they cannot attract any labor; if they choose very high wages, employment must be rationed among the excess supply of eager, qualified applicants.

Wages are determined by the interaction of supply and demand among a large number of potential buyers and sellers for each type of labor. Individual employers have virtually no bargaining power because to retain employees, the employer must compete for productive labor by paying as much as the next highest bidders.

It is very easy to mistake the caution of employers in bidding up the price of labor as "superior bargaining power." But this is nothing more than the realistic groping process by which actual markets converge on market-clearing prices. The facts do not support the idea of immobile employees exploited by monopsony employers. There are more than 4.5 million enterprises hiring labor, more than 500,000 new ones each year (a

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smaller number expire each year), and more than 10 million people who are self-employed. Each month 2 million people quit their jobs. Competition and mobility are the rule in the labor market. Moreover, if conspiracies among employers to depress wages below competitive rates were ever an important phenomena, it is hard to explain why there have been no prosecutions under our antitrust laws.

2. "High living standards in the U.S. are due to a strong union movement."

If high wages could be achieved on an economy-wide scale by unions (or wage legislation), it would certainly be easy for the poor nations of the world to get rich. Sri Lanka or Sierra Leone could simply encourage powerful labor unions and watch poverty disappear. England is another easy instance of the fallacy. The U.K. is much more unionized than the U.S. but real wages are 40 percent lower in England.

The sad fact is that unions, tough bargaining, and politicking do not create real wealth. A highly productive economy, and its attendant high real wages, depends upon accumulating capital, skilled labor, and adopting government policies which provide individuals with incentives to be productive.

3. "The enemy is the company."

This is false: unions do not compete against employers, despite appearances to the contrary. Sellers compete against sellers and buyers with buyers. Unions compete against those who sell substitutes for their members' services, which means other labor — members of rival unions, foreign workers, strike breakers, nonunion workers, etc.

Union organization in labor markets has always been very incomplete, despite the government machinery supporting unionization. As a result, union workers must close relevant labor markets to nonunion entrants who would agree to work at prices below those demanded by the union. Union workers must prevent competing workers, who want to improve themselves, from entering a unionized labor market and thereby restoring open market conditions. Violence or the threat of violence is the device which keeps competitors out of the unionized sector, an unavoidable consequence of any system of unionized labor markets.

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4. "The strike is the basis of union power."

The strike *per se* is not the basis of union power—the ability to deny an employer access to labor at prices below those demanded by union workers is the basis of power. Otherwise a strike is little more than a mass resignation. In order to force wages and working conditions above open-market rates, competing labor must be denied freedom to enter the market. Successful unions cut off (control) the labor supply in order to enforce their wage demands.

5. "Unions protect workers against the abuse of managerial authority."

This notion is another variant of the first myth and cannot withstand scrutiny either. Workers are not captives. In a competitive labor market employers are forced by competition for productive labor to offer wages and working conditions which cater to the preferences of workers. This includes "equitable" treatment of workers' grievances by management because failure to supply attractive working conditions implies that an employer must pay higher wages in order to compensate workers. It pays companies to develop reputations for dealing fairly with employees because it keeps labor costs lower than they would otherwise be. A competitive labor market is the ultimate protection for employees, not union grievance procedures.

Two additional points should be made about this issue. First, the value of grievance procedures, whether union or nonunion, depends upon how easy it is to change jobs: employees place no value on processing grievances if mobility between employers is costless and a high value on it if there is only one available employer (the socialist state?). Second, managerial "abuse" can occur in situations where union pay is higher than pay in the competitive sector because so many workers are eager to retain their high-paying jobs. Managers can demand more output from workers and still attract a plentiful labor supply. Naturally, the union contests managerial authority over working conditions in such cases. Further, if a union succeeds in controlling much of the grievance process, it is unclear which workers will be helped or harmed by the change.

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The Economic Impact of Unions

Economists have investigated three major empirical questions about unions: 1) how much do unions raise wages for their members?, 2) at whose expense do these wage gains come?, and 3) how much do unions reduce national income? Although there are unresolved problems in the studies, the empirical results are not especially comforting to union supporters.

On union wage gains, there is a popular tendency to exaggerate the effect of unions. Some unions have been totally ineffective in raising wages above what they would be in an open market. But if wage gains come through a union, people tend to attribute the gain to the union. H.G. Lewis has done the premier empirical work (1963) on this issue and found that the relative wage advantage of union workers over non-union workers with similar characteristics ranged from 0 to 100 percent, depending upon the union and time period. (7) However, a wage advantage of 25+ percent was rare. Among unions with large effects in some periods have been the mine workers, building trades, printing, entertainment, airline pilots, and seamen. Unions with negligible wage effects in the past have been the garment workers, textile workers, shoe workers, and white-collar government workers.

Lewis estimated that the general wage advantage of union members over similar nonunion labor was 15 percent in the late '50s, essentially zero in the late '40s, and more than 35 percent in the late '30s. However, more recent econometric studies using household survey data have commonly found a union advantage of 20 to 40 percent, so the empirical issue is currently in a state of doubt. (8)

The relative wage advantage of union members is due to two effects: 1) union wages are raised above competitive levels, and 2) nonunion wages are depressed by the increased supply of people seeking work in the nonunion sector because employment is cut down in the union sector due to high wages. Supply and demand analysis contrasts sharply with the popular argument that unions raise nonunion wages because nonunion employers must simply follow union wages in order to avoid unionization of their businesses. On the contrary, union wages depress nonunion wages.

The question of who pays for union wage gains is difficult to answer precisely. The problem is analytically equivalent

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to finding out who pays the corporate income tax: do investors, consumers, or employers bear the burden? The difference between union wages and competitive wages can be thought of as a private tax disguised as a payment for the real services of union employees. In principle, investors can suffer some of the loss through a lower rate of return, consumers through a higher relative price for union-produced goods, and nonunion workers through lower wages, but the exact effects are difficult to trace.

There is agreement, however, that there has been no major shift in the distribution of income due to unions. A variety of studies can find no evidence that unions have raised labor's share of national income, that is, there is no evidence that union gains have come at the relative expense of earnings on capital.(9) In terms of the personal distribution of earnings among households, unions, if anything, have caused slightly more inequality. Although some unions tend to narrow the range of earnings within their own memberships, unions raise wages for workers who would be relatively well-paid anyway, at the expense of workers in the nonunion sector and at the expense of the general consumer, who have lower average incomes than union workers.(10)

Unions also reduce the real value of national income for the same reason that cartels and monopolies do — employment and output is too small in the union sector and too large in the nonunion sector because of union wage rates (that is, monopoly prices). This loss in national income due to union-nonunion wage differentials has been estimated at .33 percent, or about $6.6 billion in a $2 trillion economy. (11) But this traditional method of measuring the loss underestimates the economic cost of union monopoly for three reasons: 1) the assumption that labor which is disemployed in the union sector due to high wages is completely re-employed in the nonunion sector without raising the number of unemployed; 2) no account is taken of losses in production due to union work rules; and 3) the additional earnings received by union members are treated as a costless transfer of purchasing power extracted from the rest of the economy. The last point is an especially serious source of underestimation because real resources are consumed in order to obtain and maintain monopolization of labor markets. In the limit, the costs of competing for the additional

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earnings received by union members and union leaders would be equal to the value of the additional earnings due to unions. A conservative estimate is that these additional earnings total at least $30 billion per year. (12) If something like one-half of the monopoly rents which accrue to unions are real costs, the loss in national income due to unions would easily exceed $20 billion in the United States.

Conclusion

Dispassionate economic analysis of unions is similar to the analysis of other monopoly problems. While economists do not generally have much good to say about monopolies, many do not want to appear hostile to unions either. Their solution has been to ignore unions. The few contemporary economists who do venture into the area "balance" their remarks like Albert Rees does: "If the union is viewed solely in terms of its effects on the economy, it must in my opinion be considered an obstacle to the optimum performance of our economic system." This distinguished labor economist further says that unions "help to protect the minimum consensus that keeps our society stable" and provide workers with "organized representation in public affairs. . ." Rees concludes that "the economic losses imposed by unions are not too high a price to pay for successful performance" of their social and political role on behalf of workers. (13)

When economists rest the case for unions upon their alleged non-economic characteristics, we have a strange creature indeed. Personally, it is hard for me to see how unions promote stability in our society, although I am no expert on political stability. Unions must maintain a more-or-less constant war mentality among their membership. Periodic disruptions in the flow of goods and services must be engineered in order to gain economic concessions. Union wages and entry restrictions permanently push a large number of underprivileged workers into the low-wage corners of our economy.

It is true that unions provide workers with organized political representation but unions only politicize on behalf of *some* workers. A great deal of legislation favored by unions positively harms other workers: for example, the minimum wage harms many black teenagers and southern workers. Other union legislation harms people in their capacity as consumers, in-

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cluding union members, for example, through restrictions on the competition from foreign goods.

There is a hint of condescension in the claim that union provide "workers" with political representation. We are left to vaguely believe that helpless workers would go unrepresented in the political process without unions, or that some kind of unspecified doom would surely follow a demise in the political power of big unions. This is about as cerebral as the 1960s argument that the federal government must spend $X billions right now to prevent burning and rioting in our central cities.

Given that unions are harmful to the economy and have doubtful political virtue, what is the right antidote for unions? Some people believe that the answer is state right-to-work laws or more detailed regulation of unions by the federal government. But this is not the fundamental answer. Taft-Hartley and Landrum-Griffin bear silent witness to this point. The most harmful thing that could happen to unions is de-regulation of the labor market. Union monopoly power would shrivel without extensive labor laws and government intervention which supports unions. Repeals of the Wagner Act would be a stunning loss, even it seems politically impossible at the moment. It is no surprise that fewer government restrictions in the labor market will weaken unions. Economic freedom is always harmful to monopolists.

FOOTNOTES

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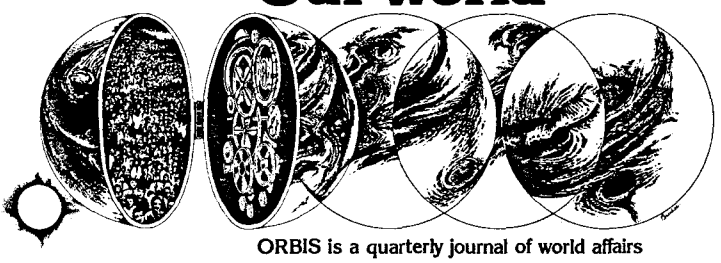

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THE FUTURE OF THE SDR AS AN INTERNATIONAL UNIT OF ACCOUNT

By Walter O. Habermeier

This article comments on the role which the special drawing right (SDR) plays as a unit of account from the perspective of international financial relations. This is not the usual perspective from which to look at the SDR. As a rule, the SDR is seen as a monetary asset which is held in the international reserves of central banks and governments and which is used by them much like foreign exchange holdings for the financing of balance of payments (BOP) deficits and surpluses.

Origin of the SDR

At the time SDRs were first allocated by the Fund in 1970, the new asset did not have an identity of its own. It possessed only two of the three fundamental attributes generally ascribed to money: it served as a means of payment among participants and between them and the Fund and could be held by them as a reserve asset; it was not used as a unit of account. The value of the SDR at that time was equal to a fixed quantity of gold, which was the same as the gold content of the U.S. dollar.

The SDR was originally invented to forestall a shortage of reserves of the traditional kind — gold and foreign exchange such as the U.S. dollar and other currencies — and to permit a deliberate, rational, and internationally controlled creation of reserves. Gold reserves had not been rising for many years and the expansion of U.S. dollar holdings depended essentially on the BOP deficits of the United States. Initially, SDR allocations were intended to defend the Bretton Woods par value system. Not long after the creation of the SDR, however, the par value system of Bretton Woods was effectively ended. In 1971 the link between gold and the U.S. dollar was broken. For a period, the value of the SDR remained fixed in terms of U.S. dollars. But in 1974, when it had become clear that a floating U.S. dollar had come to stay for an indefinite period, members of the Fund decided that the value of the SDR was no longer to be determined by the U.S. dollar but would, instead, be calculated each day on the basis of a basket of the 16 most

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important currencies of the member countries of the Fund. At the same time, the rapidly growing BOP financing conducted through the credit department of the Fund was also denominated in the new SDR. Finally, in April 1978, a legal seal was put on this evolution: when the amendment to the Fund's charter was ratified, the official price of gold was abolished, the members pledged to make the SDR the principal reserve asset and the Fund's own unit of account became the SDR. The remainder of this article focuses attention on this function of the SDR.

An International Unit of Account

For the time being, a number of units of account (old and new) and national currencies are likely to coexist and at times to compete with each other. This is not due to the technical faults of these units but to the divergencies and imbalances that exist in the world economy. Some of the major payments imbalances have been greatly reduced and are expected to decline further, but floating exchange rates can be expected to continue for some time, notwithstanding the efforts to achieve a zone of monetary stability in Europe. Traders and bankers engaged in international business spanning several floating currencies no doubt will have a need for an international standard of value to reduce the impact of these fluctuations on their own operations.

The need for these new units of account was perceived as created by two main factors: (1) the reduction of the role of gold as the standard of reference for the value of currencies; and (2) the large, and often violent, fluctuations in currency values which have taken place under floating exchange rates.

There is little dispute today on the basic economic reasons for the breakdown of the "stable but adjustable" link between gold and currencies; first, the disruptive forces of inflation; second, huge BOP deficits and surpluses, including the oversupply of U.S. dollars to the rest of the world; third, *hot* money flows generated by the distrust in the stable exchange value of major currencies; and fourth, and one of the worst factors, the prolonged defense of exchange rates that had become unrealistic during the last years of the par value system.

One important conclusion of the Second Amendment of the Articles of Agreement of the Fund is that the monetary

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role of gold should be gradually reduced. The removal of gold from a central position in the Fund has far reaching consequences going beyond the confines of the Fund. Indeed, many international conventions that are based on gold are being interpreted, revised, or reformulated; as a rule, the conclusion is that the SDR should take the place of gold.

The second major factor which has enhanced the need for some composite currency unit is the fact that large and often violent fluctuations occur under floating exchange rates.

While upward floating rates allow countries to protect themselves better against inflation coming from abroad, downward floating rates can aggravate inflation at home. The changes in rates under a floating system can and have been occurring at a speed and to an extent that is sometimes in stubborn disregard of the relative prices and costs and interest rate differentials. In addition, they have sometimes induced damaging feedbacks on the domestic economy. For strong currencies, these variations can slow down investment and lead to recession; for weak currencies, they act to speed up inflation, tend to drive up the exchange rates of strong currencies, and further push down the rates of weak currencies.

Major currencies – in particular, the U.S. dollar – seem to be susceptible to such disequilibrating movements. It must be recognized that the gyrations of the U.S. dollar in the exchange markets during much of 1978 were in no small part due to the widespread use of the dollar as a unit of account for international trade, to its large share in the Eurocurrency and other off-shore money markets. Once confidence is shaken, there can be large-scale shifts from the reserve currency which can lead to much greater exchange rate depreciation and volatility of exchange rates than would be the case if the U.S. dollar were not performing these international functions. Whatever the reason, this instability has rendered the U.S. dollar less efficient as an international unit of account and as a store of value.

Alternative to the Dollar

It does not automatically follow, however, that other currencies will be able to fill the gap caused by the instability of the U.S. dollar and play a commensurately greater role as the monetary unit for invoicing foreign trade and for denominating international credit. In the first place, it is possible that the

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appreciating currencies simply reflect the condition of an unstable dollar. It cannot be assumed that other currencies can or wish to shoulder the responsibilities involved, in part because their money and capital markets are not large enough to undertake the substantial task of financing world trade and international capital movements on the scale that the U.S. dollar has been used.

Of course, changes in yields will gradually produce some shifts in financing. For example, Japanese traders have been shifting to yen financing and German banks have expanded their deutsche mark loans but, in such cases, the debtors can be concerned about such arrangements in that they carry the risk of further appreciation of the currencies of the surplus countries.

At the same time it is doubtful that the authorities of the surplus countries are eager to have their currencies used more and more as international units of account. Often such a shift goes hand in hand with a greater use of these currencies as vehicle and reserve currencies. A larger external use of a currency in this way not only has advantages, but can have substantial drawbacks: both the exchange rate and domestic monetary policy can become more difficult to manage.

From an international point of view, the shifts from one currency unit to another are not very desirable either. A reserve currency system tends to be highly unstable when the reserve center, wherever it is, cannot reconcile reasonably stable internal conditions with its external economic and financial commitments and functions. It is, however, too much to expect that a country will, in all circumstances, subordinate its domestic economic aims to its external role as a reserve center; herein lies the inherent long-run instability of a monetary system based on reserve currencies.

IMF Goals for the SDR

It is a major objective of the Fund to put the SDR into the center of the international monetary system. Its members have pledged on the occasion of the last amendment to collaborate with each other and with the Fund to make the SDR the principal reserve asset. Practical steps have been and are being taken to strengthen this evolutionary process.

First, the allocation of SDRs will be resumed by the distribution of SDR 12 billion over the next three years. SDRs are

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being allocated to lessen the increase in foreign exchange reserves that would otherwise occur through the process of official borrowing on the international markets. If successful, this process should reduce the proportion of reserve currencies in future additions to reserves.

Other steps to improve the SDR are in hand. SDRs can now be exchanged freely among the participants against currency, and such voluntary transfers have already taken place on a large scale. In addition, the interest rate on the SDR will be increased and it will be possible to use SDRs to settle obligations without changing them first into currencies, to lend SDRs, and to pledge them as security for a loan by another central bank or government. Further improvements are high on the agenda. They include forward operations in SDRs and swaps of SDRs and enlarging the number of official institutions that may deal in SDRs. This last point is potentially of great significance for enlarging the volume of SDR-denominated financing in the private market, since many of the institutions — unlike the Fund — have direct links with the private market. Once such institutions hold SDRs in their books, they are likely to seek to increase their SDR-denominated liabilities by developing transactions in private markets.

Second, the credit mechanism of the Fund, which is denominated in SDRs and guaranteed by Fund members in SDRs, has been substantially expanded over the last few years to cope with large-scale BOP deficits. For much of this expansion, the Fund has issued liquid reserve claims denominated in SDRs. As a result, international reserve assets held in the form of SDR-denominated reserve positions in the Fund have tripled in the last five years from SDR 6 billion to SDR 18 billion.

The low interest loans of the IMF Trust Fund to poor countries are also denominated in SDRs. These loans are financed by a portion of the profits realized in the gold auctions. In the first two years of the gold auctions, the Trust Fund disbursed loans of over SDR 800 million.

Use of SDRs by INTERNATIONAL AGENCIES

In sum, the official market in SDR-denominated credit is no doubt of major and growing importance. While such credit is largely connected with the activities of the Fund, this is no longer exclusively the case. A number of international official

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agencies — for example, the African Development Bank, the Arab Monetary Fund, and the Nordic Investment Bank — have adopted the SDR as their unit of account and some of these institutions have begun to place SDR-denominated deposits with private commercial banks.

A few of the smaller Fund members are pegging their currencies to the SDR; many others manage their currencies by pegging them to custom-made baskets of currencies usually composed to reflect the geographical distribution of their foreign trade. In a number of instances, these baskets do not differ much in practice from the SDR basket. Thus, a small "SDR area" exists not by special design, but because pegging to the SDR has helped these Fund members in the developing world to stabilize their external and internal positions and to better protect their economies from the effects of instability elsewhere.

SDRs Enter the Private Market

SDRs are distributed and used only in the official field. But the Fund has no copyright on the use of the SDR as a unit of account. In fact, developments on the international scene will help to give the SDR a firmer and more permanent footing in the private market.

Usually, the private interest in the SDR is strongest when the U.S. dollar is weak. A few transactions are then arranged, but as soon as the U.S. dollar improves the volume tends to ebb.

For the time being, the private market for SDRs is still small but more than a dozen commercial banks are presently actively accepting short-term currency deposits indexed in SDRs and many more are interested in developing this business. The banks accepting SDR deposits usually will try to cover themselves, for example, in the forward markets or make loans in the individual currencies which comprise the SDR. Less frequently, they extend SDR-denominated loans. Interest rates on SDR-denominated deposits have been readily quoted to the Fund and can, of course, be checked against the calculated forward exchange value of the SDR. Except for public bond issues (which consist of less than SDR 150 million), complete information about the volume of SDR operations is not available.

The private financial market in SDR-denominated paper is a somewhat specialized market — this is reflected in the relatively

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low volume of notes traded, in the predominance of short maturities, and in the fact that little if any redepositing seems to take place. There are, however, three potential sources of future growth: (1) the rising number of official institutions based on the SDR and engaged in the private markets; (2) the trend toward diversification of central bank reserves, including a possible desire of central banks to cover open SDR-denominated positions resulting from their indebtedness to the Fund; and (3) the deficit countries, which are familiar with the SDR and may be willing to take up medium-term banking credit indexed in SDRs to spread their currency risk.

As regards the Fund, no plans exist at the moment to issue SDR-denominated notes to the market, although the legal possibility exists for the Fund to do so with the consent of the members whose currencies it would use as a vehicle. As a trustee of the Trust Fund, the Fund could also, if it so wishes, place SDR deposits with commercial banks. So far, however, all deposits have been placed with the BIS.

For the moment, the Fund acts as a center of information for the private SDR markets. It calculates and publishes daily the official spot exchange value of the SDR for more than 40 currencies. In the near future, forward SDR rates against a number of important currencies might be published on a regular basis; the Fund is also collecting information on the private SDR markets, especially on the SDR interest rates, on the volume of SDR deposits and SDR credits, and on bonds denominated in SDRs.

Since the Fund is commited to make the SDR the principal reserve asset, these conclusions on the role of the SDR as a unit of account in the private market may look rather modest. In my view, however, it would be wrong to conclude that the use of the SDR as a unit of account in the markets is an idea whose time has still not come.

This theme was further developed in expanded form in the author's article entitled "The SDR as an International Unit of Account" published in the March 1979 issue of Finance and Development.

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Hoover Foundation Lecture at Strathclyde Business School, Scotland, April, 1978.

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BOOK REVIEWS

JEFFREY B. GAYNER
Namibia: The Road To Self-Government
Council on American Affairs, Washington, D.C. (1979), 108 pp., $6.00

For more than thirty years the Territory of Namibia has been the subject of an acrimonious dispute between the International Community and South Africa. However, by the early 'seventies, it had become apparent that all the parties to the dispute were in agreement on at least one important issue – that the Territory was ready for independence. The question which continued to divide the parties concerned was exactly how and under what circumstances independence should be granted.

At that point the five Western powers then on the Security Council (United States, United Kingdom, France, West Germany and Canada), launched an imaginative initiative to attempt to resolve the outstanding differences on the independence issue, in a manner which would secure the basic acceptance of all the parties involved. The complexity of the challenge which confronted them may be gauged when one considers the widely divergent natures and ideologies of the parties which had to be accommodated. These included, not only South Africa and SWAPO, but also the internal Namibian political parties, the Front Line States, Nigeria, the United Nations and, of course, the western Five themselves.

Behind these divergent elements the perceptive western diplomats were, however, able to discern a solid underlying base of common interest on which they believed they might be able to erect a workable settlement proposal: South Africa, they reasoned, had no desire to become embroiled in an escalating guerrilla war on a hostile and unfavourable border; nor would she relish the prospect of the international economic sanctions which continued intransigence might bring. The Front Line States, for their part, badly needed a speedy settlement to the dispute to stabilize their own borders with the territory and to speed up the removal of at least some guerrilla forces from their troubled countries. The United Nations for its part, sorely needed an exercise which would enable it to restore waning

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world confidence in its ability to help solve international disputes. As for SWAPO, the West believed the guerrilla movement would come along in any such venture, since it was at that time widely supposed that it would stand a very good chance of winning United Nations-supervised elections. Finally, the Five, themselves, had a strong interest in a negotiated solution. They believed that a peaceful settlement to the Namibia dispute would provide a model for the solution of the more complex Rhodesian and South African questions. It would help pre-empt further Cuban and Russian involvement in southern Africa and would improve the West's relations with the most vocal and influential African states. Nor were the Five unduly concerned about the possibility of a SWAPO victory. They believed that SWAPO's Marxism was superficial and that, once in power, the West would be able to wean the organization from its Soviet-Cuban orbit.

Having discerned the underlying common interest of the parties involved in a negotiated settlement, the Western diplomats adroitly formulated a settlement proposal which they hoped would be broadly enough framed to accommodate all the divergent parties. In so doing they purposefully kept many of the details of their proposal vague, and allowed each party to proceed with its own interpretations of important provisions. This, they reasoned, was preferable to precipitating an early collapse of the initiative by too much insistence on meticulous definitions which would inevitably alienate one party or the other. The Five no doubt foresaw problems with this approach in the long run but felt that once the parties were committed to the proposal, these could be resolved by negotiation and by the judicious application of pressure.

This approach of "creative ambiguity" achieved notable successes in the early stages of the exercise . On 25 April 1978 South Africa announced its acceptance of the Western proposal. At one stroke it accepted all the conditions — including one-man, one-vote elections under United Nations supervision — which the international Community had for so long been demanding. However, the Five encountered a little more difficulty in persuading SWAPO to accept their proposal. Finally, in July 1978, SWAPO agreed that the proposal provided a basis for it "to proceed to the Security Council" (but only after the resourceful Western diplomats had agreed to SWAPO's demand

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for the incorporation of the South African territory of Walvis Bay into a future independent Namibia).

From this stage onward the Western initiative began to encounter serious problems. The limitations of "creative ambiguity" soon became all too apparent, as South Africa, SWAPO and the Secretary-General continued to adhere to their conflicting interpretations of the settlement proposal. When the Five appeared to endorse the Secretary-General's interpretations, both parties, and particularly South Africa, felt cheated and accused the West of duplicity. The Western diplomats, for their part, were confronted with the cold reality that there is a limit beyond which the meaning of words and agreements cannot be stretched. If one goes beyond that limit the thread of trust between the parties involved snaps and the mutual confidence which is so necessary for any agreement is destroyed.

By this stage an important new factor had been introduced into the settlement equation which seriously eroded the underlying common interest which had been the basis of the exercise. Exasperated by what it regarded as unnecessary delays and deviations from the original proposal, South Africa went ahead with its own internal elections in Namibia in December 1978. The outcome of those elections was an overwhelming victory for the moderate Democratic Turnhalle Alliance Party. At a stroke, one of the underlying premises on which some of the parties to the dispute had based their acceptance of the proposal had been cut away. That premise was the almost foregone conclusion that SWAPO would win free and fair elections. Now that this premise had been destroyed, SWAPO and some of the other parties to the dispute were visibly less enthusiastic about the proposal. This was not at all what they – and some of the proposals authors – had had in mind. South Africa, for its part, vigorously pressed for the early implementation of the plan.

An attempt was made to resolve this new problem by again resorting to the tactic of "elastic diplomacy." The already distended meaning of the original proposal was stretched even further to accommodate new SWAPO demands that their forces in Angola and Zambia would not be monitored and that they should be granted their own bases inside Namibia. It was at that point that South Africa's confidence in the proposal and its authors finally snapped. The impasse which was thereby

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created has yet to be resolved. However, for many of the parties involved matters could be worse. South Africa is once again perceived as the guilty party; SWAPO does not have to face the prospect of free and fair elections – and its recent acceptance of all the provisions of the proposal is a matter of record.

In the meantime the process of constitutional change inside Namibia is gaining momentum.

FRED HIRSCH & JOHN H. GOLDTHORPE (Eds.)
The Political Economy of Inflation
Harvard University Press, Cambridge, Mass., 1978, $14.00

Economists have shown themselves unable to agree on methods of controlling inflation, mainly because they differ on the question of causes. Although most writers agree that excessive spending by governments can be a major factor, this collection of papers claims that while economic analysis explains how inflation occurs, it has not yet succeeded in explaining why inflation occurs.

J. Fleming considers that monetary authorities must be seen as a major accomplice in any inflationary spiral, if not in fact the prime authors of inflation. He considers the impact of organized unions pressing excessive wage demands, and sees these as inflationary in the short term, but self-defeating in the long term – provided the monetary authorities adhere to rigid fiscal policies.

Sam Brittain sees the political commitment of governments to inflationary financing and to full employment programs to be a major cause of inflation. By contrast, editor Goldthorpe attempts a "sociological" explanation, claiming that governments are obliged to interfere in the working of the market by political factors which make redistributive fiscal policies attractive – though he blames these policies upon stresses created by the market system itself. Rather unconvincingly he becomes involved in arguments about the demand for equality and the need to provide alternative justification for sectoral inequalities of income, seeing inflation as a "vent" for "institutional strife." The reader is left unconvinced, unless he shares Goldthorpe's political persuasions.

In their attempt to portray inflation as the result of social

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and political tensions that have accumulated, supposedly, over the generations, the editors have perhaps ignored some of the major clues as to the nature of inflation – such as the transmission of inflation around the globe as a result of the lowering of trade barriers and the increasing integration of the world economic system. They have ignored the impact on specific countries of "hot" capital fleeing from countries in which political turmoil makes investment unsafe. They have ignored, also, the possible impact of massive foreign aid upon the economies of undeveloped countries which are unable to absorb such infusions without inflationary symptoms. The result is a compilation which has value, but is far from comprehensive.

J. Constantine

PAUL SEABURY (ed.)
Bureaucrats & Brainpower:
Government Regulation of Universities
Institute For Contemporary Studies, San Francisco, California.

"It is undeniable," writes Stanford University President Richard Lyman, "that the regulatory climate for universities has changed remarkably in a short span of years, and that, in sum, the changes have produced enormous increases in our costs, additions to our administrative staff, and a boon to the paper industry of awesome proportions."

The study, *Bureaucrats & Brainpower: Government Regulation of Universities*, begins by exploring the narrow problem of higher education – the policies on affirmative action, control of research on human subjects, regulation of the natural sciences, health, and safety – and their impacts on teaching, scholarship, and the integrity of the universities. The book then returns to the overall concern about the general increase of regulation in American society, and the common purpose academics and businessmen have with regard to it.

The study brings together contributors who are or have been involved in different aspects of the regulatory process. The group includes two university presidents, three political scientists, a former Secretary of HEW who administered many

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aspects of the regulation, and one corporate Chief Executive Officer.

All of the authors agree that higher education's first defense against government intervention must come from colleges and universities themselves. Robert Hatfield, Chairman and Chief Executive Officer of the Continental Group, Inc., writes that "the Congress and our 50 U.S. statehouses must become as familiar to college and university personnel as their libraries and classrooms if federal policies and programs are to help, rather than hinder, their institutions." Higher education spokesmen, argues Richard Lyman, must equip themselves "to do better at the defense of their legitimate interests than they have been doing. And there is still time, for by and large the most important of those interests, having to do with academic freedom and control of the curriculum, have not yet been made the targets of direct attack. If and when such attacks come, we cannot expect others to save us. The responsibility and the opportunity will be ours alone."

The authors also agree that regulation of the universities is just one manifestation of growing government regulation in general. Although they decry this pattern, they reject the notion that higher education should be singled out for exemption. Echoing this view, former HEW Secretary Caspar Weinberger contends that "universities are not necessarily more complex than other private institutions – corporations, hospitals, private foundations, and the like – or so different that regulation would be uniquely destructive when applied to them. There is no reason to believe that the bureaucratic single-mindedness and procedural inequities which accompany regulation in higher education are any more excessive or uncontrollable than those which accompany regulation in other parts of the economy."

Although businessmen and educators have their own regulatory problems to worry about, *Bureaucrats & Brainpower* concludes that they should recognize their common interests. Robert Hatfield suggests that businessmen oppose excessive regulation *wherever it occurs*. "Businessmen have an important responsibility to speak out and take a strong public stand against many regulations affecting colleges and universities. Most business opposition to regulation is on its own behalf, and its motives are often called into question. Here, however,

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businessmen have a rare opportunity to become spokesmen in a policy debate of great importance to the entire country. Reducing regulatory pressures on colleges and universities will reduce government's tendency to regulate in other areas."

Similarly, academics should learn from their own plight that government interference in business is often misapplied. Caspar Weinberger concludes that "given the vital role academic intellectuals play in forming political and economic ideas, it is essential for them to realize that bureaucratic flaws revealed in regulation of universities – overzealousness, unevenness, capriciousness, and arbitrary actions – are endemic to the regulatory mode of behavior."

JEAN BLONDEL
Political Parties: A Genuine Case for Discontent?
Wildwood House, London, 1978, 237 pp.

Whether or not it always worked out well, the genius of the ivory tower was to provide a facility for man to step back from the exigencies of his time and take a longer and presumably deeper look at the circumstances of life. That retreat is something sorely missed when in times of troubles basic values and social order are questioned; times like ours when almost everything in contemporary society, that of both a fundamental and superficial nature, has been called to critical review. In our time, of course, much of the outcry has been neither rational nor cool-headed, and there is great need generally for the kind of ivory tower sobriety that Jean Blondel brings to bear in this analysis of contemporary political parties. Party is plainly the most important political institution in contemporary western society and Blondel is quite right in saying in the preface that persistently parties have been "both taken for granted and constantly criticized, continuously discussed and unsystematically assessed." His opinion that parties have overall had "mixed success" is reasonable. Blondel alludes to familiar criticisms of party: that it is oligarchical, servant of pressure groups, opportunistic and prone in its self-interest to make "contradictory compromises." But he is also impressed by how it has managed politics in mass society and he is inclined to the view that modern democracy may be unthinkable without parties.

To investigate this Janus-like quality of party, Blondel

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examines the rise of parties, the functions they perform, the basis of their support and types of parties and party systems extant. A significant portion of his study is devoted to an analysis of the "problems" of parties, those which relate to their programs, organization, leadership and representation. What he considers to be the major problem in competitive situations is that parties are almost compelled by the logic of rivalry to be irresponsible. He says that because such systems are based on representation "it is therefore not possible for parties to reject demands out of hand or to silence those who make them." (p. 195) Consequently, the result of competition can be dysfunctional to the system. Blondel proposes as a possible solution a system based on "competitive mobilization." He wants parties to debate goals and long range issues rather than to compete purely by offering "short-term bribes" to voters.

So what of the future? Like many critics, Blondel concludes that for better and for worse democratic societies may be stuck with parties. He sees no preferable alternatives. He feels that participatory democracy is unrealistic and perceives the formation of a political combination of competent technocrats and the military as a major possibility in the years ahead. The idea is implicitly advanced that the true value of party rests not so much in what it does but rather in what it prevents!

Calvin A. Woodward
University of New Brunswick

DALE VREE
On Synthesizing Marxism and Christianity
John Wiley and Sons, New York, N.Y., 1978, $15.75.

Just as Jean Paul Sartre tied together the two seemingly opposite doctrines of existentialism and Marxism, so many young Christian liberals today identify themselves as "Christian Marxists."

In this book Dale Vree traces the growing emphasis upon "humanism" in Christianity, as opposed to traditional orthodoxies, and points out that Marx claimed communism to be "unmediated humanism." In his own words, Vree seeks to

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"show how dialogical Christians and dialogical Marxists, in departing from their respective orthodoxies, place more weight upon the concept of human freedom than their respective belief systems can sustain, and hence fall into philosophical confusion."

While Vree does not claim or attempt to explain in detail the various forces moving the diverse Christian groups which have today moved far along the road to Marxism, his work does help us to understand the thinking behind organizations such as the World Council of Churches, who cheerfully seem to give funds to Marxist organizations which have been associated with the murder of missionaries, not to speak of far worse and far more extensive crimes against non-Christians.

DON WALLACE, Jr., & HELGA ESCOBAR (eds.)
The Future of International Economic Organizations
Praeger Publishers, New York, N.Y., 1977, 184 pp., $18.50.

The publication of this book draws attention to a new but often little noticed phenomenon of the world political scene – the growth in power of international economic organizations, armed with vast budgets and operating without any effective control by those countries which fund them. While the publication does not stress this fact, the reality is that the employees of these organizations tend to be selected from amongst persons who are committed to the concept of world government, and frequently also to a form of international socialism, or if not already committed to these views at the time of their appointment, it is a natural occupational hazard that they should become attracted to such views by the nature of their employment.

These organizations are now responding to demands by third-world countries for a reordering of the international economic system, and have become means for transferring wealth from the so-called developed countries to the so-called Third World countries. Under the present U.S. administration there has been a much greater willingness for the U.S., setting the pace for other industrialized countries, to accede to these demands, based though they are on political rather than simply economic perceptions.

While the author of this book is perhaps not unprejudiced

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himself in this respect, he has done a service to the academic community by drawing their attention to one of the most rapidly expanding forces in the economic and political scene.

LY SINGKO
The Fall of Madam Mao
Vantage Press, Inc., New York, N.Y. 10001, $6.50.

The year 1976 saw one crucial event after another in Red China. Chou En-lai's death in January was followed eight months later by the death of Mao Tse-tung himself. At that point, power seemed to pass to Mao's widow, Chiang Ching. Yet within a month, she and three close "radical" associates – together, they formed the so-called gang of four – were suddenly arrested and accused of all sorts of crimes, to the astonishment of the world.

The Fall of Madam Mao tells the inside story of the dramatic and puzzling events of October 1976 – what led up to them and why they were greeted with such enthusiasm by the Chinese people. Written by an expert who is uniquely qualified to comment on these events, the book paints a revealing portrait of Madam Mao, one that is considerably less flattering than others that have been offered to Western eyes. Equally important, it places recent struggle in the context of four millenia of Chinese history and shows how the struggles grew out of deep social, ideological, and even geographical conflicts within the Chinese Communist Party. An informative epilog indicates what is probably in store for the present Chinese regime.

ARTHUR S. BANKS
Political Handbook Of The World: 1979
New York, McGraw-Hill, 1979, 630 pp., $29.95

This survey of world politics focuses on political personalities, events, and national structures including all major intergovernmental systems. The articles are written by a panel of distinguished scholars, and the volume is presented in an easy-to-use format beneficial to researchers. Areas covered in this edition include the Middle East, the newly independent Solo-

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mon Islands, Southeast Asia, Western and Eastern Europe, and Latin America. A principal component of the handbook is the discussion of national political parties and opposition groups in the various countries listed, legislative structures, diplomatic representation, and news media.

ROBERT M. BRADFIELD

The International Year Book And Statesmen's Who's Who:1979
Detroit, Mich., Gale Research Co., 1979, 1455 pp., $80.00

This twenty-seventh edition is a convenient source covering international organizations, the states of the world, and prominent individuals of international significance. The States of the World section provides details on each country's constitution and government, legal system, area and population, currency, finance and banking production, industry, commerce, communications, education, religion and similar topics. The Biographical Section provides details on about 7,000 prominent persons, with extensive coverage provided for the leading men and women of the United States and the United Kingdom.

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In Part Two, *Government in the Marketplace,* contributors include **Walter J. Mead** of the University of California, Santa Barbara (on private enterprise, regulation and government enterprise in the energy sector); and **Edward W. Erickson** of North Carolina State University and **Herbert S. Winokur, Jr.,** of Harvard University (on international oil and multi-national corporations).

In Part Three, *Oil in the Seventies: Policies and Prospects,* contributors include **G. David Quirin** and **Basil A. Kalymon,** both of the University of Toronto (on the financial position of the petroleum industry) and **James W. McKie** of the University of Texas at Austin (on United States and Canadian energy policy).

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THE ACADEMIC REVIEWER

SPRING–SUMMER, 1979

Editor: ROBERT A. SCHADLER

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